

Ch.

Registered number: 04440009

UPP (LANCASTER) LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 SEPTEMBER 2019**

TUESDAY



\*A8YK870Q\*

A24

11/02/2020

#6

COMPANIES HOUSE

---

**UPP (LANCASTER) LIMITED**

---

---

**COMPANY INFORMATION**

---

<b>Directors</b>	R Bienfait H Gervaise-Jones (appointed 1 January 2019) M Swindlehurst (appointed 1 January 2019)
<b>Registered number</b>	04440009
<b>Registered office</b>	40 Gracechurch Street London EC3V 0BT
<b>Independent auditor</b>	Grant Thornton UK LLP Chartered Accountants and Statutory Auditor Victoria House 199 Avebury Boulevard Milton Keynes MK9 1AU

---

**UPP (LANCASTER) LIMITED**

---

---

**CONTENTS**

---

	Page
<b>Strategic Report</b>	1 - 3
<b>Directors' Report</b>	4 - 6
<b>Independent Auditor's Report</b>	7 - 10
<b>Profit and Loss Account</b>	11
<b>Statement of Comprehensive Income</b>	12
<b>Balance Sheet</b>	13
<b>Statement of Changes in Equity</b>	14 - 15
<b>Notes to the Financial Statements</b>	16 - 37

**STRATEGIC REPORT  
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

**Results and review of the business**

The Company's principal activity is the development, funding, and construction of student accommodation under the University Partnerships Programme, in partnership with Lancaster University.

The project comprises of 4,347 student residential accommodation bedrooms on the Lancaster University campus.

The level of business, achieving 100 % occupancy and the year-end financial position were in accordance with the directors' expectations. The directors anticipate that the future level of activity will be in accordance with their expectations and consider that the project will yield returns in line with current forecasts.

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

The UK Higher Education sector remains a global destination for students; with demand for UK institutions having grown exponentially, with both EU and international applicant numbers remaining strong. Full time student enrolments to UK institutions grew by 2.6% year on year for 2017/18 to more than 1.8 million.

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 remain 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 30 SEPTEMBER 2019**

---

**Principal risks and uncertainties**

**Financial risk management objectives and policies**

The Company uses various financial instruments including loans, derivative instruments, 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 a mixture of retained profits, related party borrowings and bank borrowings. The Company exposure to interest rate fluctuations on its bank borrowings was managed by the use of interest swaps which fix variable interest rates for a period of time.

**Inflation risk**

Growth in rental income is linked to the movement in RPI and the Company manages some of its exposure to this index through the use of an RPI swap.

**Liquidity risk**

The Company seek 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 14 to the financial statements.

**Demand risk**

The Company is subjected to risks arising from occupancy voids and lack of nominations by the university partners, which can lead to uncertain revenues. This risk is managed by maintaining strong relationships with the university, improved marketing of accommodation and improved third party revenues to compensate for any shortfalls in rental income.

**Portfolio risk**

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

---

**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

---

**Key performance indicators**

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

	2018/19	2017/18
Average Applications : Acceptance ratio	6.1:1	5.4:1
Average Core demand pool (no. of students)	10,940	10,325

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

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

	2018/19	2017/18
Average occupancy across the facilities	100.0%	100.0%

The target occupancy level is 98-99%, as such the directors are satisfied that the movements noted above exceed tolerable limits for the recovery of credit extended to the company.

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

This report was approved by the board on 11 December 2019 and signed on its behalf.

  
**H Gervaise-Jones**  
Director

**DIRECTORS' REPORT  
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

The directors present their annual report and the financial statements for the year ended 30 September 2019.

**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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

**Financial risk management objectives and policies**

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

**Results and dividends**

The profit for the year, after taxation, amounted to £1,228k (2018 - loss £111k).

The directors do not propose the payment of a dividend (2018 - £Nil).

**DIRECTORS' REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2019**

---

**Going concern**

The Company's business activities, together with factors likely to affect its future development, performance and position are set out in the Strategic Report.

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 arising from the company's financial instruments.

At 31 August 2019, the company has net liabilities of £78,306k. The directors have received a letter of support and confirmation from the company's parent undertaking, UPP (Lancaster) Holdings Limited that financial support will be provided to the company, such that it is able to meet its liabilities as they fall due, for a period of not less than twelve months from the date of approval of these financial statements.

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.



**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

**Directors**

The directors who served during the year were:

R Bailey-Watts (resigned 31 December 2018)  
J Benkel (resigned 31 January 2019)  
J Wakeford (resigned 31 January 2019)  
R Bienfait  
H Gervaise-Jones (appointed 1 January 2019)  
M Swindlehurst (appointed 1 January 2019)

**Future developments**

Occupancy for the 2019/20 financial year has been secured at 100% which has exceed the directors expectations.

**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.

**Disclosure of information to auditor**

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

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the 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 auditor is aware of that information.

**Post balance sheet events**

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

**Auditor**

The auditor, 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 11 December 2019 and signed on its behalf.



**H Gervaise-Jones**  
Director

---

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

---

**Opinion**

We have audited the financial statements of UPP (Lancaster) Limited for the year ended 30 September 2019, which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Company 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 30 September 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Basis for opinion**

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

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

---

**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.

**Other information**

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

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

We have nothing to report in this regard.

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

---

**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.

**Responsibilities of directors**

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.

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

---

**Auditors' responsibilities for the audit of the financial statements**

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

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

**Use of our report**

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

*Joanne Love*

Joanne Love LLB FCA (Senior Statutory Auditor)

for and on behalf of  
**Grant Thornton UK LLP**  
**Statutory Auditor,**  
**Chartered Accountants**

Chartered Accountants  
Statutory Auditor

Milton Keynes

13 December 2019

# UPP (LANCASTER) LIMITED

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Note	2019 £000	2018 £000
Turnover	4	25,674	24,159
Cost of sales		(8,118)	(7,240)
<b>Gross profit</b>		<b>17,556</b>	<b>16,919</b>
Administrative expenses		(4,273)	(4,231)
<b>Operating profit</b>		<b>13,283</b>	<b>12,688</b>
Interest payable and similar expenses	7	(12,055)	(12,799)
<b>Profit/(loss) before tax</b>		<b>1,228</b>	<b>(111)</b>
Tax on profit/(loss)	8	-	-
<b>Profit/(loss) for the financial year</b>		<b>1,228</b>	<b>(111)</b>

The notes on pages 16 to 37 form part of these financial statements.

The above results all relate to continuing operations.

STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 SEPTEMBER 2019


	Note	2019 £000	2018 £000
Profit / (loss) for the financial year		<b>1,228</b>	(111)
<b>Other comprehensive income</b>			
Unrealised surplus on revaluation of tangible fixed assets	9	<b>1,949</b>	3,663
Fair value movement of interest rate swap	15	<b>(26,374)</b>	9,124
Deferred tax on revaluation of tangible fixed asset	9,16	-	1,852
Deferred tax movement on fair value of swaps	16	-	(14,996)
Fair value movement on RPI swap	15	<b>(832)</b>	(1,057)
<b>Other comprehensive income for the year</b>		<b>(25,257)</b>	(1,414)
<b>Total comprehensive income for the year</b>		<b>(24,029)</b>	(1,525)

The notes on pages 16 to 37 form part of these financial statements.

**BALANCE SHEET**  
**AS AT 30 SEPTEMBER 2019**

	Note	2019 £000	2018 £000
<b>Fixed assets</b>			
Tangible assets	9	203,500	203,500
		<u>203,500</u>	<u>203,500</u>
<b>Current assets</b>			
Debtors	10	40	38
Cash at bank and in hand	11	20,126	11,745
		<u>20,166</u>	<u>11,783</u>
Creditors: amounts falling due within one year	12	(8,688)	(2,323)
<b>Net current assets</b>		<u>11,478</u>	<u>9,460</u>
<b>Total assets less current liabilities</b>		<u>214,978</u>	<u>212,960</u>
Creditors: amounts falling due after more than one year	13	(293,014)	(266,967)
<b>Net liabilities</b>		<u>(78,036)</u>	<u>(54,007)</u>
<b>Capital and reserves</b>			
Called up share capital	17	2,000	2,000
Revaluation reserve	18	50,195	48,660
Cash flow hedge reserve	18	(107,351)	(80,145)
Profit and loss account	18	(22,880)	(24,522)
		<u>(78,036)</u>	<u>(54,007)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 11 December 2019.

  
**H Gervaise-Jones**  
 Director

The notes on pages 16 to 37 form part of these financial statements.



**UPP (LANCASTER) LIMITED**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

	Called up share capital	Revaluation reserve	Cash flow hedge reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 October 2018	2,000	48,660	(80,145)	(24,522)	(54,007)
Profit for the year	-	-	-	1,228	1,228
Transfer from revaluation reserve	-	-	-	414	414
Movement on revaluation of leasehold property	-	1,949	-	-	1,949
Fair value movement on swaps	-	-	(27,206)	-	(27,206)
Transfer to profit and loss account	-	(414)	-	-	(414)
<b>At 30 September 2019</b>	<b>2,000</b>	<b>50,195</b>	<b>(107,351)</b>	<b>(22,880)</b>	<b>(78,036)</b>

The notes on pages 16 to 37 form part of these financial statements.

Where depreciation charges are increased following a revaluation, an amount equal to the increase is transferred annually from the revaluation reserve to the Profit and Loss account as a movement on reserves. The transfer for 2019 was £414k.

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

	Called up share capital	Revaluation reserve	Cash flow hedge reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 October 2016	2,000	43,504	(73,216)	(24,770)	(52,482)
Loss for the year	-	-	-	(111)	(111)
Transfer from revaluation reserve	-	-	-	359	359
Movement on revaluation of leasehold property	-	5,515	-	-	5,515
Fair value movement on swaps	-	-	(6,929)	-	(6,929)
Transfer to profit and loss account	-	(359)	-	-	(359)
<b>At 30 September 2018</b>	<b>2,000</b>	<b>48,660</b>	<b>(80,145)</b>	<b>(24,522)</b>	<b>(54,007)</b>

The notes on pages 16 to 37 form part of these financial statements.

Where depreciation charges are increased following a revaluation, an amount equal to the increase is transferred annually from the revaluation reserve to the Profit and Loss account as a movement on reserves. The transfer for 2018 was £359k.

---

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

---

**1. General information**

UPP (Lancaster) Limited is private company limited by shares and incorporated in England, with company number 04440009. The registered office is 40 Gracechurch Street, London, EC3V 0BT.

**2. Accounting policies****2.1 Basis of preparation of financial statements**

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

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

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

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

The following principal accounting policies have been applied:

**2.2 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 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, once they have been filed.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

**2. Accounting policies (continued)**

**2.3 Going concern**

The Company's business activities, together with factors likely to affect its future development, performance and position are set out in the Strategic Report.

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 arising from the company's financial instruments.

At 31 August 2019, the company has net liabilities of £78,306k. The directors have received a letter of support and confirmation from the company's parent undertaking, UPP (Lancaster) Holdings Limited that financial support will be provided to the company, such that it is able to meet its liabilities as they fall due, for a period of not less than twelve months from the date of approval of these financial statements.

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.

**2.4 Turnover**

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

**2.5 Derivative financial instruments**

Derivatives, which include interest rate swaps and inflation swaps, are not basic financial instruments.

The Company has entered into inflation linked swaps ('RPI swaps') and interest rate swaps ('IR swaps') with external parties to manage its exposure to changes in inflation and LIBOR rates respectively. All derivative instruments are initially measured at fair value on the date the contract is entered into and subsequently re-measured to fair value at each reporting date. The gain or loss on re-measurement is taken to the Profit and Loss account in finance cost or finance income as appropriate, unless they are included in a hedging arrangement.

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

---

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

---

**2. Accounting policies (continued)****2.6 Tangible fixed assets**

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

Assets for use in operating leases	-	annuity method over the term of the lease
Computer equipment	-	straight line over 5 years

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

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

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

**2.7 Pensions****Defined contribution pension plan**

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Profit and Loss Account when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

**2. Accounting policies (continued)**

**2.8 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 Group 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.

**2.9 Related party transactions**

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

**2.10 Debtors**

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

Impairment is determined by making an estimate of the likely recoverable value of short term debtors by considering factors such as the credit rating, the aging profile and the historic experience of the respective debtor.

**2.11 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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

**2. Accounting policies (continued)**

**2.12 Interest bearing loans and borrowings**

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

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

Where the financial liability has variable cash flows, such as LIBOR linked interest payments, the estimated cash flows are revisited at each reporting year and the effective rate is adjusted to reflect any changes in estimated LIBOR rates over the term of the financial instrument.

**2.13 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.

**2.14 Hedge accounting**

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

Interest rate swaps are held to manage the LIBOR rate exposures of the senior bank debt by swapping the LIBOR linked interest payments for fixed rate interest payments.

Inflation swaps are held to manage the Group's exposure to changes in RPI. The Group's rental income from student accommodation is linked to RPI and the swap contracts manage the exposure to RPI by swapping RPI annual rate changes with a fixed rate.

Changes in the fair values of derivatives designated as cash flow hedges, and which are effective, are recognised in other comprehensive income directly in cash flow hedge reserve. Any ineffectiveness in the hedging relationship (being the excess of the cumulative change in fair value of the hedging instrument since inception of the hedge over the cumulative change in the fair value of the hedged item since inception of the hedge) is recognised in the profit and loss account.

The gain or loss recognised in other comprehensive income is reclassified to the Profit and Loss when the hedge relationship ends. Hedge accounting is discontinued when the hedging instrument expires, no longer meets the hedging criteria, the forecast transaction is no longer highly probable, the hedged debt instrument is derecognised or the hedging instrument is terminated.

The Group has elected to adopt hedge accounting for all its swaps which meet the qualifying criteria for hedge accounting under Section 12 of FRS 102. It is considered that the criteria to apply hedge accounting for the interest rate swap and the RPI swap have been met.

---

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

---

**2. Accounting policies (continued)****2.15 Finance costs**

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

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

**2.16 Borrowing costs**

Borrowing costs directly attributable to the acquisition and construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

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

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

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

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

**Revaluation of the principal assets (Note 9)**

The Company has adopted a policy to revalue the principal asset every five years with an interim valuation performed in year three of the cycle and in other years if there is evidence that the value has changed significantly. The Company engages independent valuation specialists to determine the fair value of the assets every five years, with a directors' valuation performed at any other interim period. The valuation technique employed by both the independent valuers and directors is based on a discounted cash flow model as there is a lack of comparable market data due to the specific nature of the property assets. The determined fair value of the principal assets is most sensitive to the estimated rental growth, discount rate, as well as the long term occupancy rates. The key assumptions used to determine the principal assets are further explained in note 9.

**Valuation of RPI and IR swaps (note 15)**

Derivatives are initially recognised at fair value at the date a derivative is entered into and are subsequently re-measured to their fair value at each reporting date. The fair value of the derivatives have been determined on a transfer value basis, which takes into consideration the price the hedging instrument could be replaced with by another one with the same remaining terms. To that end, a calibration of usual valuation models has been performed on the trade date for each derivative to determine an initial spread to be added onto market conditions applied at each year end. Those market interest rate and inflation curves for a replacement have been used, deriving future cash flows based on forward rates and discounting them to produce their reported value. The Company has used a third party expert to assist with valuing such instruments.

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

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019

3. Judgements in applying accounting policies (continued)

Presentation of the principal asset (note 9)

Rent receivable is generated from the Company's interests in university accommodation. These interests fall within the scope of Section 34 of FRS 102, however, due to the transitional relief adopted in relation to service concession arrangements, the Group continues to account for all its principal assets applying the policies under the extent UK GAAP, FRS 5 (Application Note F).

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

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

Hedge accounting for inflation swaps (note 15)

The Company has chosen to apply hedge accounting for all hedging instruments which are in a qualifying hedging relationship under FRS 102 Section 12. Significant judgement is exercised in concluding that future inflationary increases or decreases in rent receivable from university partners are separately identifiable and reliably measurable components of the rental income which ensures the inflation component of rental income and the related RPI swaps are in a hedging relationship which meets the qualifying criteria for hedge accounting under Section 12.

Hedge accounting for Interest rate swaps (note 16)

In determining the fair value of the interest rate swap in the Company at the trade date in 2007, management have deemed the hedging instrument to be the current swap with a preceding one embedded in it. This is underpinned by the fact that management's intention was to treat the novation as a continuation of the previous relationship. In doing so, the cash flows relating to the preceding interest rate swap have been included in the cash flow hedge reserve.

4. Turnover

Turnover represents income, on the basis of accounting policy 2.4, excluding VAT, attributed to the provision of student accommodation.

	2019 £000	2018 £000
Provision of student accommodation	25,674	24,159
	<u>25,674</u>	<u>24,159</u>

All turnover arose within the United Kingdom.

**UPP (LANCASTER) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

**5. Auditor's remuneration**

	<b>2019 £000</b>	<b>2018 £000</b>
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	<b>15</b>	<b>16</b>
<b>Fees payable to the Company's auditor and its associates in respect of:</b>		
All other services	-	5
	<b>-</b>	<b>5</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

**6. Employees and Director information**

Staff costs were as follows:

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Wages and salaries	<b>517</b>	<b>566</b>
Social security costs	<b>49</b>	<b>50</b>
Cost of defined contribution scheme	<b>49</b>	<b>32</b>
	<b>615</b>	<b>648</b>

**Key management personnel**

All directors and certain senior employees who have authority and responsibility for planning, directing and controlling the activities of the company are considered to be key management personnel.

The Company paid fees of £24k (2018 - £23k) to UPP Group Limited in respect of services performed in connection with the management of the affairs of the Company for the year ended 30 September 2019.

No other directors of the Company received payment for services performed in relation to management of the Company (2018 - £nil).

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

	<b>2019</b>	<b>2018</b>
	<b>No.</b>	<b>No.</b>
Site managers	<b>4</b>	<b>3</b>
Administration, maintenance and cleaning	<b>16</b>	<b>14</b>
	<b>20</b>	<b>17</b>

# **UPP (LANCASTER) LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019**

### **7. Interest payable and similar expenses**

	<b>2019 £000</b>	<b>2018 £000</b>
Bank interest payable	<b>10,009</b>	10,775
Subordinated loan note interest payable	<b>2,046</b>	2,024
	<b>12,055</b>	12,799

Subordinated loan note interest is payable to UPP (Lancaster) Holdings Limited.

### **8. Taxation**

	<b>2019 £000</b>	<b>2018 £000</b>
<b>Total current tax</b>	-	-
<b>Taxation on profit on ordinary activities</b>	-	-

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019

8. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2018 - *higher than*) the standard rate of corporation tax in the UK of 19.00% (2018 - 19%). The differences are explained below:

	2019 £000	2018 £000
Profit/(loss) on ordinary activities before tax	1,228	(111)
Profit/ (Loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2018 - 19%)	233	(21)
<b>Effects of:</b>		
Expenses disallowable for tax purposes	-	208
Movement in deferred tax not recognised	-	(266)
Exempt property rental (profits)/losses in the year	(233)	79
<b>Total tax charge for the year</b>	-	-

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

A deferred tax asset of £7,166k (2018: £7,092k) in respect of available tax losses has not been recognised at 30 September 2019.

UPP REIT Holdings Limited is a Real Estate Investment Trust ("REIT"). As a result, the Company no longer pay 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.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019

9. Tangible fixed assets

	Long-term leasehold property £000	Computer equipment £000	Total £000
<b>Cost or valuation</b>			
At 1 October 2018	203,500	759	204,259
At 30 September 2019	203,500	759	204,259
<b>Depreciation</b>			
At 1 October 2018	-	759	759
Charge for the year on owned assets	1,949	-	1,949
On revalued assets	(1,949)	-	(1,949)
At 30 September 2019	-	759	759
<b>Net book value</b>			
At 30 September 2019	203,500	-	203,500
At 30 September 2018	203,500	-	203,500

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019

9. Tangible fixed assets (continued)

Fixed assets include borrowing costs of £6,773k (2018: £6,773k). These have been capitalised at 100%.

The senior debt is secured by way of a first fixed charge over the fixed asset. Furthermore, the terms of the finance agreement provide that the lender will seek repayment of the finance, as to both principal and interest, only to the extent that sufficient funds are generated by the specific asset financed and it will not seek recourse to the company in any other form. The company is not obliged to support any losses, nor does it intend to do so.

Assets used in operating leases were independently valued by Jones Lang LaSalle ("JLL"), Chartered Surveyors, on an existing use basis at 30 September 2018. JLL have confirmed that the value as at that date was £203,500k.

Following an internal review of the assets used in operating leases, the directors have concluded there is no impairment to the value as determined by JLL in 2018.

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

	2018
Discount rates	8.4%
Occupancy rates	99%
Long term annual rental growth	3%

Cost or valuation at 30 September 2019 is as follows:

	Assets for use in operating leases £000
At cost	165,881
At valuation:	
Revaluation as at 30th September 2019	37,619
	<u>203,500</u>



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019

9. Tangible fixed assets (continued)

If the assets used in operating leases had not been included at valuation they would have been included under the historical cost convention as follows:

	2019 £000	2018 £000
Cost	165,881	165,881
Accumulated depreciation	(10,780)	(9,245)
<b>Net book value</b>	<b>155,101</b>	<b>156,636</b>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019

10. Debtors

	2019 £000	2018 £000
Amounts owed by group undertakings	14	13
Prepayments and accrued income	26	25
	<u>40</u>	<u>38</u>

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

11. Cash and cash equivalents

	2019 £000	2018 £000
Cash at bank and in hand	20,126	11,744
	<u>20,126</u>	<u>11,744</u>

12. Creditors: Amounts falling due within one year

	2019 £000	2018 £000
Secured senior bank debt	1,642	1,474
Trade creditors	29	26
Amounts owed to group undertakings	1,611	539
Other taxation and social security	6	9
Other creditors	-	1
Accruals and deferred income	5,400	274
	<u>8,688</u>	<u>2,323</u>

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019

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

	2019 £000	2018 £000
Secured senior bank debt	170,535	171,692
Secured subordinated loan notes	15,128	15,130
Derivative financial instruments	107,351	80,145
	<u>293,014</u>	<u>266,967</u>

14. Loans

Secured senior bank debt

The senior debt is payable by March 2042 with principal repayments having commenced in March 2009. The interest rate is fixed via a swap at a rate of 5.67% plus a variable margin.

The senior debt is secured by way of a first fixed charge over the fixed asset. Furthermore, the terms of the finance agreement provide that the lender will seek repayment of the finance, as to both principal and interest, only to the extent that sufficient funds are generated by the specific asset financed and it will not seek recourse to the company in any other form. The company is not obliged to support any losses, nor does it intend to do so.

Secured subordinated loan notes

The subordinated loan notes have ultimately been provided by UPP (Lancaster) Holdings 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 will be repaid by 2042 and have an effective interest rate of 14.8%.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019

14. Loans (continued)

	2019 £000	2018 £000
<b>Amounts falling due within one year</b>		
Secured senior bank debt	1,642	1,474
Secured subordinated loan notes	124	124
	<u>1,766</u>	<u>1,598</u>
<b>Amounts falling due 1-2 years</b>		
Secured senior bank debt	2,037	1,642
	<u>2,037</u>	<u>1,642</u>
<b>Amounts falling due 2-5 years</b>		
Secured senior bank debt	8,700	7,290
	<u>8,700</u>	<u>7,290</u>
<b>Amounts falling due after more than 5 years</b>		
Secured subordinated loan notes	15,128	15,130
Secured senior bank debt	159,798	162,760
	<u>174,926</u>	<u>177,890</u>
	<u>187,429</u>	<u>188,420</u>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019

15. Financial instruments

	2019 £000	2018 £000
<b>Financial assets</b>		
Financial assets measured at fair value through profit or loss	20,126	11,744
Financial assets that are debt instruments measured at amortised cost	14	13
	<u>20,140</u>	<u>11,757</u>
<b>Financial liabilities</b>		
Derivative financial instruments measured at fair value through profit or loss	(107,351)	(80,145)
Financial liabilities measured at amortised cost	(189,069)	(188,861)
	<u>(296,420)</u>	<u>(269,006)</u>

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

Financial liabilities measured at amortised cost comprise trade creditors, amounts owed to Group undertakings, senior debt and secured subordinated loan notes.

Derivative financial instruments measured at fair value through Statement of Comprehensive Income comprise an RPI and an interest rate swap.

RPI swap

To mitigate the risks of inflation movements on future rental income of the Company impacting on the Company's ability to service the senior bank debt, the Company has entered into RPI swaps with the senior bank debt provider. The notional amounts swapped for each year has been determined with reference to a percentage of the net rental income.

The fair values of RPI swap contracts are determined by calculating the present value of the estimated future cash flows using observable yield curves. At the balance sheet date the fair value of this swap was £3,672k liability (2018: £2,841k liability).

The Company entered into the RPI swap on 5 June 2007, fixing a portion of the underlying rental income stream to 3.01%. The RPI swap is for a period of 34 years from March 2013, commencing in March 2008 and maturing in March 2042.

The Company applies hedge accounting for its derivative instrument as the criteria are met under section 12 FRS 102. A net hedging loss of £832k arose during the year (2018: £1,057k loss) and was recognised in the Statement of Comprehensive Income, reflecting the change in fair value of this RPI swap.

---

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

---

**15. Financial instruments (continued)****Interest Rate Swap**

The Company's exposure to interest rate fluctuations on its bank borrowings is managed by the use of an interest rate swap which fixes variable LIBOR interest rates for the duration of the associated bank debt.

The Company entered into an interest rate swap with the senior debt provider on 5 June 2007 to fix interest at 5.135% from October 2014, maturing in March 2042. The swap is based on the principal amount of the underlying senior debt outstanding as at 30 September and 31 March each year.

The fair value of the interest rate swaps have been determined on a transfer value basis, which takes into consideration the price the hedging instrument could be replaced with by another one with the same remaining terms. Those market interest rate curves for a replacement have been used, deriving future cash flows based on forward rates and discounting them to produce their reported value has been determined using yield curves derived from quoted interest rates matching the maturity of the interest swap. At the balance sheet date the fair value of this swap was £107,351k liability (2018: £77,305k).

The Company applies hedge accounting for its derivative instrument as the criteria are met under section 12 FRS 102. A net hedging loss of £26,374k arose during the year (2018: £9,124k gain) and was recognised in the Statement of Comprehensive Income, reflecting the change in fair value of this interest rate swap.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019

16. Deferred tax asset

	2018 £000
At beginning of year	13,144
Charged to other comprehensive income	(13,144)
<b>At end of year</b>	<b>-</b>

Deferred taxation liability in 2019 was £nil.

17. Share capital

	2019 £000	2018 £000
<b>Authorised</b>		
2,159,800 (2018 - 2,159,800) Ordinary shares of £1.00 each	2,160	2,160
<b>Allotted, called up and fully paid</b>		
1,999,800 (2018 - 1,999,800) Ordinary shares of £1.00 each	2,000	2,000

The Ordinary shares have the rights and restrictions as set out in the amended Articles of Association of the Company.

18. Reserves

**Revaluation reserve**

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

**Other reserves**

**Cashflow Hedge reserve**

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

**Profit and loss account**

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019

**19. Controlling party**

The parent undertaking of the largest group of which the company is a member and of which group accounts are prepared is UPP REIT Holdings Limited.

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

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

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

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