

**UPP Group Holdings Limited
Report and financial statements**

For the year ended 31 August 2009

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UPP Group Holdings Limited

Report and financial statements

for the year ended 31 August 2009

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UPP Group Holdings Limited

Directors and advisors



Directors

G S Behr
J C W Benkel
A C Gregson
R S McClatchey
S O'Shea

Secretary

J C W Benkel

Auditor

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

Registered office

Fourth Floor
Weston House
246 High Holborn
London
WC1V 7EX

UPP Group Holdings Limited

CEO's statement

for the year ended 31 August 2009

I am delighted to present the results for UPP Group Holdings Limited for the year ended 31 August 2009. As the UK's leading provider of campus infrastructure, the Group is at the forefront of the market, and I am pleased to report that the Group has secured unprecedented growth and taken full advantage of the platform developed over the previous 18 months.

Highlights of the year include:

- Turnover up 68.6% from £40.2m to £67.8m
- Improved operating profit margins from 23% to 33%
- EBITDA up 122% from £14.3m to £31.8m
- Cash balances increased by over £10m
- Net current assets increased by £12.5m
- Successful close of two projects, raising in excess of £250m, shortly after the year end
- Increased portfolio of over 18,500 student rooms with a 99.5% occupancy rate for the financial year ending August 2009 and a 100% occupancy rate at the beginning of academic year 2009/2010.

The Group's success over this 12 month period, in a challenging economic environment, demonstrates the resilience of our robust business model. While the property market in general has struggled with falling land and rental values, UPP's cash flow based assets have both increased in value and secured improved rental income. This rental growth, together with over 3,000 newly constructed rooms and the full year effect of prior year acquisitions, has driven the growth in turnover. Margins have improved due to improved efficiency in service delivery combined with more sophisticated procurement practices.

As recently announced, UPP has successfully raised in excess of £250m of both new equity and bank debt since the year end to fund two projects at the University of Exeter and the University of Nottingham. These projects, when complete, will add over 2,500 rooms to the portfolio and significantly upgrade the offering of 850 rooms in our existing estate. These project closes are particularly pleasing due to the strength of support from our relationship lenders and equity providers. This puts the Group in an enviable position, capable of realising opportunities in the Higher Education sector that others are unable to fulfil.

UPP believe the HE sector will undergo a period of significant change over the coming 24 months. Economic and budgetary pressures will mean that universities will, increasingly, seek out new income streams and look to utilise existing assets more efficiently. As a trusted partner to the sector, UPP is uniquely positioned to assist our partner institutions in this process.

The UK's leading Higher Education institutions are amongst the best in the world and UPP recognises that there are tremendous opportunities for growth in the sector. Domestic student numbers continue to grow strongly in response to a stagnant job market, whilst overseas students are attracted by a first class education combined with the weakness of sterling. Furthermore, we believe that whichever political party wins the next election, the potential for introducing new business models for the delivery of University education will crystallise in the current environment.

UPP actively seek to promote new funding models to our partners to take advantage of this environment. As an example, we are currently working with one of our closest partners on developing an innovative structure for the delivery of non-residential services to students. This closely follows the recent completion of projects at the Universities of Kent and Plymouth that provided state of the art campus based academic facilities to the institutions.

UPP Group Holdings Limited

CEO's statement (continued)

for the year ended 31 August 2009

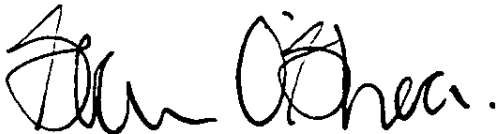
Not only does the Group deliver innovative funding models, but we also consistently demonstrate our ability to successfully manage both projects and costs. The Group successfully completed over £150m worth of construction during the year ended 31 August 2009, all of which was delivered on budget and on time. Operationally, we have reduced the cost of delivering first rate services by utilising the economies of scale provided by our national portfolio. This process is continuing, and we expect further margin improvement in the coming 12 months as supply contracts are renegotiated.

Similarly, our operational arm is working with institutions to bring down the cost of delivering non-core services to the sector, while still maintaining the highest standards expected by fee paying students. I expect to be able to make further announcements in the coming 12 months concerning these initiatives.

These initiatives are driven by the key principle of UPP's approach: helping to free up universities so that they can focus on their core competencies of teaching students and performing first class research. Going forward, the private sector will play an increasing role in delivering non-core services that meet the expectations of students and enhance the student experience, while securing both significant cost savings and state of the art facilities for the sector.

Given both the growth we have experienced recently and the initiatives outlined above, we have made a number of new Board appointments during the last few months. These appointments will significantly add to the resilience of UPP and broaden the expertise and experience on the Board. With a significant pipeline, long-term partnerships in the sector and strong relationships with lenders and equity providers, UPP's board looks forward, with great anticipation and confidence, to our next phase of growth.

Finally, I wish to pass on my grateful thanks to the employees of UPP. Without their commitment to the Group, the success we have achieved in the last 12 months would not have been possible.



Sean O'Shea
GROUP CEO

UPP Group Holdings Limited

Directors' report

for the year ended 31 August 2009



The directors present their report and the company and group financial statements for the year ended 31 August 2009.

Results, principal activity and review of the business

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

As at 31 August 2009, the group maintained an interest in approximately 16,000 rooms for an average lease period of 40 years. In addition a subsidiary undertaking, UPP Residential Services Limited, provides services for an additional 1,558 rooms not included within the results of the group. The group achieved 99.5% occupancy for the year ended 31 August 2009 and 100% occupancy at the start of the year ended 31 August 2010.

On 11 November 2008 two subsidiary undertakings, UPP (Oxford Brookes) Limited and UPP (Reading) Limited, entered into agreement with Oxford Brookes University and University of Reading respectively to extend the lease over their respective rooms to 2050 in exchange for a premium.

The group's loss for the year attributable to shareholders and reported in the financial statements is £7,421,000 (2008: £15,686,000).

Post balance sheet event

On 6 November 2009 a wholly owned subsidiary, UPP (Broadgate Park) Holdings Limited renegotiated the terms of its current senior & subordinated debt facilities. As part of the renegotiations that company borrowed additional funds that enabled that company to enter into an option to extend the lease terms at all of its premises to 2048 and complete a refurbishment programme on approximately 850 rooms.

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.

Key performance indicators

The company's principal activity is that of a holding company of its subsidiary undertakings. The group monitors the relevant indicators of its subsidiary undertakings on an annual basis for any significant change. The appropriate key performance indicators of each of its three core income streams of its subsidiary undertakings are:

Subsidiary undertakings that provide student accommodation

The following are considered by the Directors to be indicators of average performance of the subsidiary undertakings that provide student accommodation and that are not necessarily evident from the financial statements.

	2008/09	2007/08
Average Applications : Acceptance ratio	5.0 : 1	5.9 : 1
Average core demand pool (no. of students)	11,626	11,285

The indicators above are directly related to performance of the relevant university partners of these subsidiary undertakings and any changes in these statistics may potentially affect the performance of that subsidiary undertaking.

UPP Group Holdings Limited

Directors' report

for the year ended 31 August 2009

Key performance indicators (continued)

Subsidiary undertakings that provide student accommodation (continued)

The application to acceptance ratio has decreased in comparison to the prior year primarily due to students choice being reduced from 6 to 5 institutions. There are no detrimental implications for the institutions due to this reduction and the directors are satisfied that the movements noted above are within tolerable limits.

Subsidiary undertaking that provides facilities management services

The following are considered by the Directors to be the indicators of performance of that subsidiary undertaking that are not necessarily evident from the financial statements

	2008/09	2007/08
Health and Safety audit average score	92%	92%

The indicators above are directly related to performance of the facilities management service. The directors are satisfied that the movements noted above are within tolerable limits.

Subsidiary undertaking that provides management & product development services

The directors would like to report that there have been two financial closes in the current year along with another three completed shortly after the year end compared to the five project closures which were achieved in the previous year. This has resulted in development margins being achieved and transaction costs recovery. The strength of the pipeline is good and the directors anticipate that the future level of activity will be in accordance with their expectations

Financial risk management objectives and policies

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

The existence of these financial instruments exposes the group to a number of financial risks, which are described in more detail below. The directors review and agree policies for managing each of these risks and they are summarised below. These policies have remained unchanged from the previous year.

Interest rate risk

The group finances its operations through a mixture of retained profits and bank borrowings. The group 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 20 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.

UPP Group Holdings Limited

Directors' report (continued)

for the year ended 31 August 2009

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 year to enable the company to review its strategic position.

Dividend

The directors paid a dividend of £5,000,000 during the year (2008: £12,612,000).

Directors and their interests

The directors holding office during the year ended 31 August 2009 and subsequently are:

M Allen	(resigned 15 October 2008)
G S Behr	(appointed 15 October 2008)
J C W Benkel	
A C Gregson	(appointed 15 October 2008)
D J Lomas	(resigned 15 October 2008)
R S McClatchey	
A J May	(resigned 15 October 2008)
S O'Shea	

At 31 August 2009, none of the directors had any beneficial interests in the shares of the company or in any of the group companies.

Creditor payment terms

When entering into commitments for the purchase of services and goods, the group gives due consideration to quality, price and the terms of payment. Suppliers are made aware of these terms. The group abides by these terms whenever it is satisfied that suppliers have provided the services or goods in accordance with such agreed terms and conditions. In the event of disputes, efforts are made to resolve these quickly. The average creditor days in the year were 41 days (2008: 55 days).

Employees

The group is an equal opportunity employer with particular reference to non-discrimination and non-harassment on the basis of ethnic origin, religion, gender, age, disability and sexual orientation. The group gives disabled people the same consideration as other individuals. Matters which affect the group are communicated to employees through formal and informal meetings, internal announcements and regular contact with directors and senior management.

Statement of directors' responsibilities

The directors are responsible for preparing 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 financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

UPP Group Holdings Limited

Directors' report (continued)

for the year ended 31 August 2009

Statement of directors' responsibilities (continued)

- select suitable accounting policies and then apply them consistently;
- make judgements and 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 and the group will continue in business.

The directors are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the company and of the group and 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 of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware:

- there is no relevant audit information of which the company's and 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 auditor is aware of that information.

Auditor

Having passed elective resolutions of the shareholders the company 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 company.

On behalf of the Board



G S Behr
Director

UPP Group Holdings Limited

Report of the independent auditor to the members of UPP Group Holdings Limited



We have audited the group and parent company financial statements of UPP Group Holdings Limited for the year ended 31 August 2009 which comprise the consolidated profit and loss account, consolidated balance sheet, company balance sheet, consolidated statement of cash flows and the related notes 1 to 29. These financial statements have been prepared on the basis of the accounting policies set out therein. 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 company's members, as a body, in accordance with Section 495 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). These 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 audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKNP.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and company's affairs as at 31 August 2009 and of the group's 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.

Opinion on other matter prescribed by the Companies Act 2006

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

UPP Group Holdings Limited
Report of the independent auditor to
the members of UPP Group 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 company, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

A handwritten signature in black ink, which appears to read 'Malcolm A Gomersall'.

Malcolm A Gomersall
Senior Statutory Auditor
For and on behalf of Grant Thornton UK LLP
Statutory Auditors, Chartered Accountants

Central Milton Keynes

UPP Group Holdings Limited
Consolidated profit and loss account
for year ended 31 August 2009



	Notes	Year ended 31 August 2009 £'000	Year ended 31 August 2008 £'000
Turnover	2	67,796	40,204
Cost of sales		<u>(23,729)</u>	<u>(16,884)</u>
Gross profit		44,067	23,320
Operating expenses		<u>(21,466)</u>	<u>(14,123)</u>
Operating profit	6	22,601	9,197
Interest receivable & similar income	7	1,978	14,090
Interest payable & similar charges	8	<u>(33,984)</u>	<u>(37,213)</u>
Loss on ordinary activities before taxation		(9,405)	(13,926)
Tax credit / (charge) on loss on ordinary activities	9	<u>1,391</u>	<u>(2,115)</u>
Loss on ordinary activities before minority interest		(8,014)	(16,041)
Minority interests	23(c)	<u>593</u>	<u>355</u>
Loss for the financial year	23(a)	<u>(7,421)</u>	<u>(15,686)</u>

The above results all relate to continuing operations.

The group has no recognised gains and losses other than the losses for the years ended 31 August 2009 and 31 August 2008 and therefore no separate statement of total recognised gains and losses has been presented.

UPP Group Holdings Limited

Consolidated balance sheet

as at 31 August 2009



	Notes	31 August 2009 £'000	31 August 2008 £'000
Fixed assets			
Intangible assets	11	35,722	43,207
Tangible assets	12	635,625	611,016
		<u>671,347</u>	<u>654,223</u>
Current assets			
Debtors subject to non-recourse finance	15	34,533	17,415
Non-recourse finance	16	(36,077)	(18,660)
		<u>(1,544)</u>	<u>(1,245)</u>
Debtors: amounts falling due within one year	17	10,879	22,701
Debtors: amounts falling due after more than one year	18	7,379	9,467
Cash at bank and in hand		58,634	47,896
		<u>75,348</u>	<u>78,819</u>
Creditors: amounts falling due within one year	19	(25,603)	(41,564)
Net current assets		<u>49,745</u>	<u>37,255</u>
Total assets less current liabilities		<u>721,092</u>	<u>691,478</u>
Creditors: amounts falling due after more than one year	20	(599,654)	(557,330)
Provisions for liabilities	21	(1,561)	(1,410)
		<u>119,877</u>	<u>132,738</u>
Share capital and reserves			
Called up share capital	22	5,186	5,186
Share premium account	23(a)	118,918	118,918
Other reserve	23(a)	38,736	38,736
Capital reserves	23(a)	439	286
Profit and loss account	23(a)	(45,233)	(32,812)
Shareholders' funds	23(a)	<u>118,046</u>	<u>130,314</u>
Minority interests	23(c)	1,831	2,424
		<u>119,877</u>	<u>132,738</u>

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

14 JANUARY 2010

G S Behr
Director

J C W Benkel
Director

UPP Group Holdings Limited

Company balance sheet

as at 31 August 2009



	Notes	31 August 2009 £'000	31 August 2008 £'000
Fixed assets			
Investments	13	141,217	141,217
Current assets			
Debtors	17	2	-
Cash at bank and in hand		3	45
		<u>5</u>	<u>45</u>
Creditors: amounts falling due within one year	19	(622)	(9,764)
Net current liabilities		(617)	(9,719)
Creditors: amounts falling due after more than one year	20	(7,190)	(7,190)
		<u>133,410</u>	<u>124,308</u>
Share capital and reserves			
Called up share capital	22	5,186	5,186
Share premium account	23(b)	118,918	118,918
Profit and loss account	23(b)	9,306	204
Shareholders' funds	23(b)	133,410	124,308

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

14 JANUARY 2010

G S Behr

Director

Registered no: 05016028

J C W Benkel

Director

UPP Group Holdings Limited
Consolidated statement of cash flows
for the year ended 31 August 2009



	Notes	Year ended 31 August 2009 £'000	Year ended 31 August 2008 £'000
Net cash flow from operating activities	27(a)	44,194	33,283
Returns on investments and servicing of finance			
Interest received		2,007	14,120
Interest paid		(29,807)	(30,936)
Costs associated with issue of debt		(559)	(3,863)
Premium paid on interest hedging		(511)	(646)
Dividends paid to minority interest		-	(12,810)
Net cash flow from returns on investments and servicing of finance		(28,870)	(34,135)
Taxation		(675)	(6,079)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(27,046)	(55,014)
Payments to acquire finance receivable assets		(16,473)	(6,408)
Net cash flow from capital expenditure and financial investment		(43,519)	(61,422)
Acquisitions and disposals			
Cash balances acquired with subsidiary undertakings		-	11,177
Acquisition of subsidiary undertaking		-	(2,010)
Net cash flow from acquisitions		-	9,167
Equity dividends paid		(5,000)	(12,612)
Net cash flow before financing		(33,870)	(71,798)
Financing			
Cash outflow from repayment of senior debt		(38,402)	(236,026)
Cash outflow from repayment of bridge debt		(4,152)	-
Cash outflow from repayment of subordinated debt		-	(2,707)
Cash outflow from repayment of other loans		(2,410)	-
Cash outflow from loan to parent undertaking		-	(3,460)
Cash outflow from repayment of loan from parent undertakings		(9,098)	-
Cash inflow from increase in loans		94,236	280,272
Cash inflow from repayment of loan to parent undertakings		-	24,422
Increase from issue of shares		-	2,194
Minority interests investment		-	113
Capital contributions		153	286
Net cash flow from financing		40,327	65,094
Increase / (decrease) in cash during year	27(c)	6,457	(6,704)

UPP Group Holdings Limited

Notes to the financial statements

for the year ended 31 August 2009

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. The accounting policies remain unchanged from the previous year.

(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 Group Holdings Limited and all its subsidiary undertakings prepared to 31 August each year using the acquisition method from the date control passes to the group. No profit and loss account is presented for UPP Group Holdings Limited as permitted by section 408 of the Companies Act 2006. The profit dealt with in the company for the financial year was £14,102,000 (2008: £12,816,000) before dividends paid of £5,000,000 (2008: £12,612,000).

Any subsequent increase in the group's controlling interest in a subsidiary is dealt with by re-valuing the identifiable assets or liabilities acquired with the minority interest, deducting the minority's proportion from the consideration paid to the minority interest and taking the difference to goodwill. The proportion of the revaluation of the net assets acquired relating to the group is taken to the other reserve as a difference on consolidation.

Where the company has used merger relief or group reconstruction relief to account for an investment in a subsidiary, the difference between the fair value of the equity issued and the value of the equity issued after applying merger relief or group reconstruction relief is reinstated as an other reserve on consolidation.

(d) Intangible fixed assets

Goodwill arising on acquisition of subsidiary undertakings is the difference between the fair value of consideration paid and the fair value of the net assets acquired from the date that control passes.

Goodwill arising where the group subsequently increases the controlling interest in a subsidiary is the difference between the fair value consideration paid to the minority less the minority's proportion of the identifiable revalued net assets or liabilities acquired from the minority interest.

Goodwill attributed to subsidiary undertakings that provide student accommodation is amortised on a straight line basis over the remaining lease period on the principal asset held by each subsidiary. Goodwill attributed to the remaining subsidiary undertakings is amortised on a straight line basis over a period of 2 years in respect of UPP Projects Limited and 20 years in respect of all other subsidiary undertakings. These periods of amortisation represent the expected useful economic life of the goodwill acquired.

Where the period exceeds 20 years, an impairment review is carried out annually using a discounted cash flow.

UPP Group Holdings Limited

Notes to the financial statements (continued)

for the year ended 31 August 2009

1. Principal accounting policies (continued)

(e) Presentation of principal asset

Finance receivable asset change to finance lease receivable asset

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

Each year 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 relevant company does not have the majority of significant risks and rewards. Where it does, the asset is treated as a tangible fixed asset.

During the year ended 31 August 2008, the group underwent an extensive group reconstruction which included the renegotiation of certain leases and debt facilities, which significantly impacted the balance of risks and rewards of the principal asset. The following changes led the financial statements to present the majority of the assets as a tangible fixed asset in the prior year;

- the extension of lease terms for a number of the subsidiary undertakings
- the acceptance of the sinking fund adequacy risk by the group companies, previously held by the facilities management (FM) service provider
- the transfer of the subordinated debt liability to UPP Group Limited from the parent companies

Prior to this the financial statements of the majority of the subsidiary undertakings presented the principal assets as finance lease receivable assets. The impact on the financial statements in the year ended 31 August 2008 of these restructuring changes was that net assets of the group were £2,975,000 higher and profit after tax for the year was £2,975,000 higher than if the assets had continued to be reflected as finance receivable assets. Of this amount £3,783,000 related to the release of income previously deferred to fund future sinking fund expenditure. This was on the basis that previously this income related to the funding of a sinking fund where it was considered the relevant university bore the risks and rewards of that sinking fund.

(f) Tangible fixed assets

Tangible fixed assets are stated at historic cost, less accumulated depreciation and any provisions for impairment. Historic cost includes all attributable expenditure including net finance costs incurred during construction, calculated as a proportion of total finance costs based on the number of rooms in construction over the total number of rooms.

Where the asset has been previously accounted for as a finance lease receivable but has been transferred to a tangible fixed asset due to a change in the significant risks and rewards of the asset, the tangible fixed asset is transferred at the carrying value of the finance lease receivable at the date where the balance of significant risks and rewards changed. This is treated as deemed cost.

Assets in the course of construction are shown at cost and are not subject to impairment reviews.

The carrying value of the tangible fixed asset is reviewed for impairment on transfer using a value in use calculation based on a full year forecast at the point of transfer, extrapolated over the remaining lease period using an appropriate growth rate.

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
Fixtures & fittings	-	3-5 years straight line

UPP Group Holdings Limited

Notes to the financial statements (continued)

for the year ended 31 August 2009

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 remaining average lease term is 41 years.

(g) Finance receivable

In initially accounting for costs as a finance receivable, all attributable expenditure, including net finance costs, are included in the cost of the finance assets. The finance receivable assets are subsequently valued using the internal rate of return method calculated on the basis of net present value of future cash flows throughout the operational phase, which vary from year to year.

The finance asset is amortised over the operational phase of the project in accordance with FRS 5 (Application Note F). This method of amortisation has been chosen as the profile of profit recognition is principally in line with the debt costs incurred over the life of the project. The amortisation is then credited to finance receivable.

The carrying value of the finance receivable asset is considered with reference to the individual subsidiary undertaking's current and projected cash-flows which have been prepared on the basis of a detailed analysis of each company's finances, contracts and likely future demand trends, and impairment is reflected as required.

(h) Non recourse finance

The group holds certain principal assets under non-recourse finance facilities. These non-recourse finance facilities are secured by way of fixed charge over the principal asset together with contractual terms which provide that the lender will seek repayment of the finance only to the extent that sufficient funds are generated by the specific assets financed and that the lender will not seek recourse to the group in any other form.

These assets and related non-recourse finance are presented under the linked presentation method permitted by FRS 5. The group is not obliged nor does it intend to support any losses.

(i) Investments

Investments are held at historic cost.

Where the cost includes equity consideration such as the issue of shares, the group considers each transaction and any connected transactions and applies group reconstruction relief or merger relief where possible. Where no reliefs are available due to the nature of the transaction, the fair value of the equity issued is used as the cost of investment.

Group reconstruction relief permits the group to measure the share premium associated with the equity issued by reference to the 'minimum premium value' which is calculated as the lower of cost and carrying value of the assets transferred less the nominal value of shares issued. The related cost of investment will be the nominal value of shares issued plus the minimum premium value.

Merger relief permits the group to measure the share premium associated with the equity issued as nil. The related cost of investment will be the nominal value of the shares issued.

UPP Group Holdings Limited

Notes to the financial statements (continued)

for the year ended 31 August 2009

1. Principal accounting policies (continued)

(j) Impairment reviews

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

(k) Other reserve

The other reserve contains credits to shareholders funds associated with merger relief, group reconstruction relief and differences arising on acquisition accounting where the group increases its stake in a subsidiary undertaking.

(l) Income recognition

Lease interest in student accommodation

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

Management & product development

Profit in respect of fees chargeable to universities for development is recognised as the contract progresses.

The profit recognised reflects the proportion of the work carried out at the balance sheet date measured on the basis of costs incurred to date as a proportion of total budgeted costs.

Where the outcome of a development cannot be assessed with reasonable certainty before financial close, no profit is recognised for that project. If it is expected that the development will result in a loss, all of the loss is recognised when foreseen.

(m) Operating lease agreements

Leases where substantially all of the risks and rewards of ownership are not transferred to the group are treated as operating leases. Rentals under operating leases are charged on a straight line basis over the period of the lease.

(n) 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 written off to the profit & loss account on financial close.

(o) 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 Group Holdings Limited

Notes to the financial statements (continued)

for the year ended 31 August 2009

1. Principal accounting policies (continued)

(p) Taxation

(i) Current tax

The charge for current taxation for the year is based on the result for the year, 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 years 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 year end. Where no policy is in place, current and deferred tax is measured before benefits which may arise from a formal group relief policy.

(q) Minority Interests

Minority interests represent the position of net results and net liabilities not held by the group and are presented separately in the consolidated profit & loss account and within group equity in the consolidated balance sheet, separately from shareholders' equity.

(r) Defined contribution pension scheme

Contributions to employees' personal pension arrangements during the year are charged to the profit and loss account as incurred. For eligible employees, contributions are made to employees' personal pension schemes, based on a predetermined percentage of individuals' salaries.

(s) Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

A financial liability exists where there is a contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities under potentially unfavourable conditions.

Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. The carrying amount of the liability is increased by the finance cost and reduced by payments made in respect of that liability. Finance costs are calculated so as to produce a constant rate of charge on the outstanding liability.

UPP Group Holdings Limited
Notes to the financial statements (continued)
for the year ended 31 August 2009



1. Principal accounting policies (continued)

(s) Financial instruments (continued)

An equity instrument is any contract that evidences a residual interest in the assets of the group/company after deducting all of its liabilities. Dividends and distributions relating to equity instruments are debited directly to reserves.

1. Turnover

Group turnover arises wholly in the UK, excluding VAT, and is split as below:

	Year ended 31 August 2009 £'000	Year ended 31 August 2008 £'000
Facilities management services	2,880	1,882
Management & product development services	6,270	416
Finance receivable asset, net of discounts	-	12,908
Provision of student accommodation	58,646	24,998
	67,796	40,204

2. Directors' remuneration

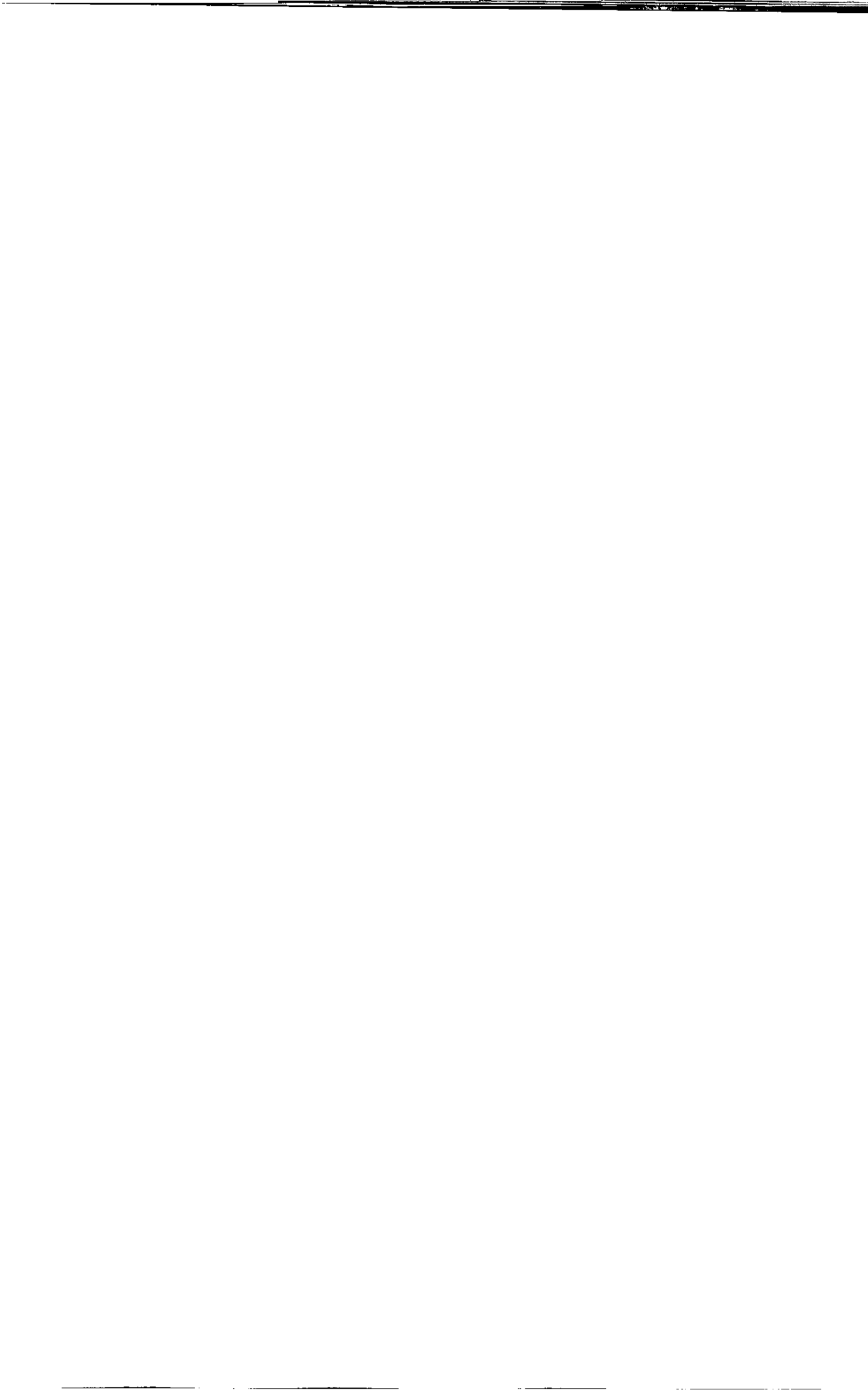
The directors received remuneration in respect of services performed in connection with the management of the affairs of the group through the wholly owned subsidiary, UPP Projects Limited.

The remuneration costs for these directors were:

	Year ended 31 August 2009 £'000	Year ended 31 August 2008 £'000
Emoluments	671	376
Company contributions to defined contribution schemes	43	26
	714	402

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

	£'000	£'000
Emoluments	268	114
Company contributions to defined contribution schemes	17	7
	285	121



UPP Group Holdings Limited
Notes to the financial statements (continued)
for the year ended 31 August 2009



4. Auditor's remuneration

	Year ended 31 August 2009 £'000	Year ended 31 August 2008 £'000
Fees payable to the Company's auditor for the audit of the company's annual accounts	12	25
Fees payable to the Company's auditor and its associates for other services:		
The audit of the company's subsidiaries pursuant to legislation	288	318
Tax compliance services	83	90
Tax advisory services	194	745
	<u>577</u>	<u>1,178</u>

5. Employee information

	2009 Number	2008 Number
The average number of persons employed by the group during the year was as follows:		
Site managers (full time)	10	5
Administration, maintenance and cleaning (full and part time)	328	221
	<u>338</u>	<u>226</u>

The employment costs of all employees included above were:

	Year ended 31 August 2009 £'000	Year ended 31 August 2008 £'000
Wages and salaries	9,557	5,700
Social security costs	938	526
Other pension costs	307	183
	<u>10,802</u>	<u>6,409</u>

6. Operating profit

The operating profit is stated after charging / (crediting):

	Year ended 31 August 2009 £'000	Year ended 31 August 2008 £'000
Gain made on variation of lease terms	-	(219)
Loss on piecemeal disposal of net assets to minority interest	-	1,535
Amortisation of goodwill	6,128	3,277
Depreciation	<u>3,025</u>	<u>1,824</u>

On 7 September 2007 the University of York acquired a 22% shareholding in UPP (Alcuin) Limited, a wholly owned subsidiary of the group. The loss on disposal of minority interests in the prior year represents the difference between the fair value of the assets of UPP (Alcuin) Limited at that date and the consideration received.

UPP Group Holdings Limited
Notes to the financial statements (continued)
for the year ended 31 August 2009

7. Interest receivable and similar income

	Year ended 31 August 2009 £'000	Year ended 31 August 2008 £'000
Interest on cash balances	899	1,851
Interest capitalised	(2)	(69)
Interest on loan to parent companies	66	221
Interest waived on loan to parent companies	-	(1,030)
Interest on subordinated loan notes	-	553
Interest on finance receivable	996	12,564
Other interest	19	-
	1,978	14,090

8. Interest payable and similar charges

	Year ended 31 August 2009 £'000	Year ended 31 August 2008 £'000
Bank loan interest	34,862	25,937
Subordinated debt bridge interest	377	49
Subordinated loan interest	232	5,831
Amortisation of commitment fees and debt issue costs	559	7,252
Interest on late payment of corporation tax	5	313
Interest on loan from ultimate controlling party	-	97
	36,035	39,479
Finance costs capitalised	(2,051)	(2,266)
	33,984	37,213

Debt issue costs on refinancing were written off to the profit and loss account on financial close due to early redemption clauses in the senior debt loan facility agreements.

9. Tax on loss on ordinary activities

	Year ended 31 August 2009 £'000	Year ended 31 August 2008 £'000
a) Analysis of (credit) / charge for the year		
<i>Current tax:</i>		
Current tax on income for the year	-	1,415
Adjustment to tax charge in respect of prior years	(1,502)	-
Total current tax (credit) / charge (note 9b)	(1,502)	1,415
<i>Deferred tax:</i>		
Current year	411	696
Adjustments to tax charge in respect of previous years	(300)	4
Total deferred tax (note 21)	111	700
Tax (credit) / charge on loss on ordinary activities	(1,391)	2,115

UPP Group Holdings Limited
Notes to the financial statements (continued)
for the year ended 31 August 2009

9. Tax on loss on ordinary activities (continued)

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

The tax assessed for the year is higher (2008: higher) than the standard rate of corporation tax in the UK 28% (2008: 28%). The differences are explained below:

	Year ended 31 August 2009 £'000	Year ended 31 August 2008 £'000
Loss on ordinary activities before tax	<u>(9,405)</u>	<u>(13,926)</u>
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2008: 28%)	(2,633)	(3,899)
<i>Effects of:</i>		
Disallowable expenses	2,663	2,809
Chargeable gain	-	3
Capital allowances in excess of depreciation	(2,115)	(870)
Lease premium relief and other timing differences	2	(2,581)
Adjustment to tax charge in respect of prior years	(1,502)	-
Rate change	-	47
Tax losses extinguished on change of ownership	-	1,043
Unutilised tax losses	2,083	4,863
Current tax (credit) /charge for the year (note 9a)	<u>(1,502)</u>	<u>1,415</u>

c) Factors that may affect future tax charges

A deferred tax asset of £15,856,000 (2008: £13,367,000) in respect of available tax losses has not been recognised at 31 August 2009. This is due to there being no persuasive and reliable evidence available at this time of suitable profits to offset these losses.

10. Dividends

	Year ended 31 August 2009 £'000	Year ended 31 August 2008 £'000
Dividends paid in year on equity shares	<u>5,000</u>	<u>12,612</u>

UPP Group Holdings Limited
Notes to the financial statements (continued)
for the year ended 31 August 2009

11. Intangible fixed assets

	Positive Goodwill £'000
Cost	
At 1 September 2008	47,164
Finalisation of fair values arising on acquisitions in prior year	<u>(1,357)</u>
At 31 August 2009	<u>45,807</u>
Amortisation	
At 1 September 2008	3,957
Charge during the year	<u>6,128</u>
At 31 August 2009	<u>10,085</u>
Net book value	
At 31 August 2009	<u>35,722</u>
At 31 August 2008	<u>43,207</u>

Goodwill has arisen on the acquisition of the subsidiary undertakings in April 2004 and during the year ended 31 August 2008. Following further review of the assets and liabilities acquired by the group in the year ended 31 August 2008 an adjustment to finalise the fair value of these assets and liabilities was identified (see note 14).

Goodwill attributed to subsidiary undertakings that provide student accommodation is amortised on a straight line basis over the remaining lease period on the principal asset held by each subsidiary, the longest of which expires in 2058. This period of amortisation is greater than 20 years but represents the period over which each subsidiary undertaking acquired will continue to generate operating cash flows.

Goodwill attributed to the remaining subsidiary undertakings is amortised on a straight line basis over a period of 2 years in respect of UPP Projects Limited and 20 years in respect of all other subsidiary undertakings. These periods represent the anticipated period over which future cash flows are expected to be generated on the business at the date of acquisition.

The carrying amount of goodwill is allocated to the cash generating companies acquired. The fair value of those companies has been based on value in use calculations as at the date that the shareholding was acquired. These calculations have been based on a full year forecast at the point of first full operation, extrapolated over the remaining lease period using a 2.5% - 3.5% growth rate. The group is not currently aware of any reasonable changes which would necessitate changes in its key assumptions.

UPP Group Holdings Limited
Notes to the financial statements (continued)
for the year ended 31 August 2009

12. Tangible fixed assets

Group	Assets for use in operating leases £'000	Assets in course of construction £'000	Fixtures & fittings £'000	Total £'000
Cost or fair value				
At 1 September 2008	547,663	70,844	839	619,346
Additions	14,808	12,604	222	27,634
Transfers	83,448	(83,448)	-	-
At 31 August 2009	645,919	-	1,061	646,980
Depreciation				
At 1 September 2008	8,221	-	109	8,330
Charge during the year	2,742	-	283	3,025
At 31 August 2009	10,963	-	392	11,355
Net book value				
At 31 August 2009	634,956	-	669	635,625
At 31 August 2008	539,442	70,844	730	611,016

Fixed assets include net finance costs up to the date of completion of £23,824,000 (2008: £22,578,000). An amount of £1,246,000 (2008: £1,881,000) was capitalised during the year.

13. Fixed asset investments

Company	Interest in group undertakings £'000
At 1 September 2008 and at 31 August 2009	141,217

The fixed asset investment value above represents the carrying value of the company's investment in UPP Group Limited.

A list of the subsidiary undertakings of UPP Group Limited, the results of which are included in the consolidated financial statements, can be found in note 26.

14. Acquisition of subsidiary undertakings

During the year ended 31 August 2008 the group acquired various shareholdings in UPP companies as part of the restructuring of the UPP Group.

These purchases have been accounted for under the acquisition method of accounting. The fair values of the identifiable assets and liabilities and purchase consideration were determined on a provisional basis at 31 August 2008. Following the assimilation of further acquisition information a further adjustment to the fair values of the assets and liabilities acquired has been identified.

UPP Group Holdings Limited
Notes to the financial statements (continued)
for the year ended 31 August 2009

14. Acquisition of subsidiary undertakings (continued)

Acquisition of UPP Projects Limited and its subsidiary undertakings

The following table sets out the book values of the identifiable assets and liabilities of UPP Projects Limited and its trading subsidiary undertakings acquired on 20 February 2008 and their fair value to the group:

	UPP Projects Limited £'000	UPP Residential Services Limited £'000	UPP Loring Hall Limited £'000	Revised fair value adjustments £'000	Fair value to Group £'000
Fixed assets					
Tangible	56	102	-	-	158
Current assets					
Finance receivable	-	-	10,906	-	10,906
Less non recourse finance	-	-	(10,687)	-	(10,687)
Debtors	5,218	7,106	352	1,111	13,787
Cash	2,362	302	216	-	2,880
Total assets	7,636	7,510	787	1,111	17,044
Creditors					
Trade creditors	(1,110)	(4,440)	-	-	(5,550)
Accruals & other creditors	(1,242)	(636)	(92)	246	(1,724)
Provisions					
Deferred Tax	56	-	(488)	-	(432)
Other	(123)	-	-	-	(123)
Total liabilities	(2,419)	(5,076)	(580)	246	(7,829)
Net assets	5,217	2,434	207	1,357	9,215
Goodwill					25,376
					34,591
Satisfied by					
Shares issued at fair value					22,546
Net cash consideration					2,010
Contingent consideration (note 20)					7,190
Associated costs					2,845
					34,591

The fair value adjustment reflected in the year ended 31 August 2008 related to group tax relief due from UPP Projects Limited and UPP Residential Services Limited to UPP Loring Hall Limited that was not deemed to be recoverable by UPP Loring Hall Limited. A further fair adjustment of £1,357,000 was identified in the year ended 31 August 2009 and related to deferred income not reflected in the books of UPP Projects Limited at the date of acquisition.

Acquisition of other UPP Companies

The provisional fair values in respect of other acquisitions have been finalised with no material differences arising.

UPP Group Holdings Limited
Notes to the financial statements (continued)
for the year ended 31 August 2009

15. Debtors subject to non recourse finance

	31 August 2009	31 August 2009	31 August 2008	31 August 2008
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Finance receivable	34,533	-	17,415	-

The finance receivable asset includes net finance costs of £1,119,000 (2008: £316,000).

The terms of the finance agreement provide that the lender will seek repayment of the finance only to the extent that sufficient funds are generated by specific assets financed and will not seek recourse to the company in any other form.

16. Non recourse finance

	31 August 2009	31 August 2009	31 August 2008	31 August 2008
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Senior debt	36,077	-	18,660	-

The non recourse finance facilities are held by two of the group companies. Both facilities are fully utilised.

The key terms of the two facilities are:-

	Interest rate	Final repayment dates
Fixed term loan	13.15%	July 2022
Fixed through an interest rate swap	4.695%, plus margin until Sept 2017, 5.910% thereafter	September 2044

UPP Group Holdings Limited
Notes to the financial statements (continued)
for the year ended 31 August 2009

17. Debtors: amounts falling due within one year

	31 August 2009	31 August 2009	31 August 2008	31 August 2008
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Trade debtors	172	-	778	-
Amounts owed by related parties	633	-	164	-
Amounts due from parent companies	-	-	13,493	-
Amounts due from subsidiary undertaking	-	2	-	-
VAT recoverable	774	-	3,121	-
Corporation tax recoverable	320	-	316	-
Prepayments and accrued income	8,980	-	4,829	-
	10,879	2	22,701	-

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

	31 August 2009	31 August 2009	31 August 2008	31 August 2008
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Prepayments and accrued income	7,379	-	9,467	-

19. Creditors: amounts falling due within one year

	31 August 2009	31 August 2009	31 August 2008	31 August 2008
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Bank loans	1,712	-	5,490	-
Loan notes from ultimate controlling party	622	622	9,720	9,720
Other loans	-	-	2,410	-
Trade creditors	4,081	-	5,926	-
Amounts owed to related parties	990	-	302	-
Amounts owed to parent companies	-	-	9	-
Other taxes and social security	736	-	242	-
Corporation tax	-	-	2,169	1
Other creditors	3,725	-	4,222	-
Accruals and deferred income	13,737	-	11,074	43
	25,603	622	41,564	9,764

UPP Group Holdings Limited
Notes to the financial statements (continued)
for the year ended 31 August 2009

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

	31 August 2009	31 August 2009	31 August 2008	31 August 2008
	Group £'000	Company £'000	Group £'000	Company £'000
Senior debt	588,838	-	546,244	-
Subordinated bridge debt	2,506	-	6,554	-
Secured subordinated loan notes	2,832	-	2,832	-
Other loans	-	-	2,410	-
Loan notes from ultimate controlling party	622	622	9,720	9,720
Contingent consideration	7,190	7,190	7,190	7,190
	601,988	7,812	574,950	16,910
Less: included in creditors amounts falling due within one year	(2,334)	(622)	(17,620)	(9,720)
	599,654	7,190	557,330	7,190

Maturity of debt

Repayable within one year or on demand	2,334	622	17,620	9,720
Repayable in more than one year but less than two years	4,531	-	1,870	-
Repayable in more than two years but less than five years	294,146	-	264,974	-
Repayable in more than five years	293,787	-	283,296	-
	594,798	622	567,760	9,720
Less: included in creditors amounts falling due within one year	(2,334)	(622)	(17,620)	(9,720)
	592,464	-	550,140	-

Group

Senior debt

A number of senior loan facilities are held by group companies. The key weighted average terms of the facilities are:-

	Interest rate	Facility length	Final repayment dates
Short term facilities	5.61%	4 years	Sept 2012 – Nov 2013
Long term facilities	5.81%	31 years	Aug 2031 – Sept 2042

All facilities are fully utilised.

UPP Group Holdings Limited

Notes to the financial statements (continued)

for the year ended 31 August 2009



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

Subordinated bridge debt

The subordinated bridge facility as at 31 August 2009 is due to be fully repaid on 31 August 2011. This debt is fixed through use of swaps, plus a margin, at a rate of 5.255%.

The senior and subordinated bridge facilities above are secured under a number of debenture deeds. Under the terms of the debentures, the finance providers have security by way of a first legal mortgage over all estates or interests in any freehold or leasehold properties and buildings, finance receivable assets and fixtures on those properties.

The finance providers only have recourse over the assets of the company or companies on which they are providing finance, with no recourse to other group companies.

Secured subordinated loan notes

The subordinated loan note funding has been provided by The University of York, Nottingham Trent University, The Alma Mater Fund LP and Barclays European Infrastructure Fund LP. The loan notes currently held by The Alma Mater Fund LP and Barclays European Infrastructure Fund LP will be transferred to Nottingham Trent University on 23 July 2010 for cash consideration of £1.

The loan notes are subject to the same security as the senior debt facilities but are subordinated to the right of payment of senior debt providers. The weighted average rate is 12.26% per annum for a weighted average period of 42 years. The final repayment dates on the subordinated loan notes range between August 2048 and August 2057.

Contingent consideration

On 20 February 2008 the company entered into a sale and purchase agreement to acquire 26.32% of the issued share holding in UPP Projects Limited. The consideration for the purchase comprised cash consideration of £2,010,000 and deferred consideration relating to future group performance. This contingent consideration can range from £Nil to £42,952,000, however based on current expectations the directors believe that this is unlikely to exceed £7,190,000, and that this is not likely to be realised before 31 August 2017.

Company

On 31 March 2004, the company entered into a £18.2 million loan facility with The Alma Mater Fund LP, which was partially used to purchase investments from Jarvis plc. At the year end £9.72 million had been drawn and this was secured against the investments of the company.

The loan is repayable by May 2044 with principal repayments becoming due in 2005. Interest is payable on the loan at an initial rate of interest of 0% rising to 10.26% over the life of the loan. Alma Mater has waived interest on the loan for the foreseeable future. The financial statements have been prepared on this basis.

In December 2008 the company repaid £9,098,000 of this loan. The balance of £622,000 remains outstanding and is repayable on demand.

UPP Group Holdings Limited
Notes to the financial statements (continued)
for the year ended 31 August 2009

21. Provisions for liabilities

Group	Deferred tax £'000	Dilapidations £'000	Total £'000
At 1 September 2008	1,267	143	1,410
Charged to profit & loss account	111	40	151
At 31 August 2009	1,378	183	1,561

Deferred Tax	31 August 2009 Group £'000	31 August 2008 Group £'000
The deferred tax liability consists of:		
Accelerated capital allowances	16,096	18,974
Other timing differences	(14,718)	(17,707)
Total deferred tax liability	1,378	1,267

Dilapidations

The provision relates to the estimated expenditure in relation to the period that will be required to be incurred to return the leased premises to its original condition on expiry of the lease term.

22. Called up share capital

	31 August 2009 Group and Company £'000	31 August 2008 Group and Company £'000
Authorised		
5,500,000,000 Ordinary shares of 0.1p each	-	5,500
5,500,000 Ordinary shares of £1 each	5,500	-
Allotted, called up and fully paid		
5,186,461,775 Ordinary shares of 0.1p each	-	5,186
5,186,462 Ordinary shares of £1 each	5,186	-

On 8 December 2008 the company consolidated its authorised ordinary shares of 0.1p each to 5,500,000 ordinary shares of £1 each.

UPP Group Holdings Limited
Notes to the financial statements (continued)
for the year ended 31 August 2009

23. Reconciliation of shareholders' funds and movement on reserves

(a) Group

	Share capital £'000	Share premium account £'000	Other reserve £'000	Capital Reserve £'000	Profit & loss account £'000	Total shareholders' funds £'000
At 1 September 2008	5,186	118,918	38,736	286	(32,812)	130,314
Dividends paid	-	-	-	-	(5,000)	(5,000)
Capital contributions	-	-	-	153	-	153
Loss for the year	-	-	-	-	(7,421)	(7,421)
At 31 August 2009	5,186	118,918	38,736	439	(45,233)	118,046

The other reserve contains credits associated with merger relief, group reconstruction relief and differences arising on acquisition accounting where the group has acquired and increased its stake in its subsidiary undertakings.

The capital contributions relate to benefits assigned by The Alma Mater Fund LP who retain the risks associated with the benefits. These have been received in cash and are non-refundable.

(b) Company

	Share capital £'000	Share premium account £'000	Profit & loss account £'000	Total shareholders' funds £'000
At 1 September 2008	5,186	118,918	204	124,308
Dividends paid	-	-	(5,000)	(5,000)
Profit for the year	-	-	14,102	14,102
At 31 August 2009	5,186	118,918	9,306	133,410

(c) Movement in minority interests

	£'000
As at 1 September 2008	2,424
Loss for the year	(593)
As at 31 August 2009	1,831

24. Parent undertaking and controlling party

UPP Group Holdings Limited is owned by The Alma Mater Fund LP (acting through its general partner Barclays Alma Mater General Partner Limited), Barclays European Infrastructure Fund LP (acting through its general partner Barclays European Infrastructure Limited) and Barclays European Infrastructure Fund II LP (acting through its Barclays European Infrastructure II Limited). The Alma Mater Fund LP and Barclays Alma Mater General Partner Limited are collectively referred to as 'Alma Mater'.

It is the directors' opinion that Alma Mater is the ultimate controlling party.

No consolidated financial statements are prepared for the ultimate controlling party therefore these financial statements represent the largest and smallest group for which the company is included within.

UPP Group Holdings Limited

Notes to the financial statements (continued)

for the year ended 31 August 2009

25. Related party transactions

On 20 February 2008 the group acquired the entire issued share capital of UPP Projects Limited and UPP Residential Services Limited from Alma Mater and from that date the group has taken advantage of the terms of FRS 8 not to disclose related party transactions which are eliminated on consolidation from that date. Before this date the directors considered that these companies were related parties by virtue of their ownership by Alma Mater and therefore disclosed transactions with these companies up to that date.

As at 31 August 2009 the directors consider that Alma Mater, Barclays European Infrastructure Fund LP and Barclays European Infrastructure Fund II LP, University of York and Nottingham Trent University are the only related parties of the group by virtue of their shareholding in the company, UPP (Alcuin) Limited and UPP (Nottingham) Limited respectively.

Group

In the period up to 20 February 2008 the group incurred costs of £3,881,000 in respect of services provided by UPP Residential Services Limited and costs of £14,000 in respect of services provided by UPP Projects Limited. In addition the group incurred recharges of £291,000 from UPP Projects Limited in respect of restructuring costs.

During the year the group incurred interest of £78,000 (2008: £4,731,000) on subordinated loan notes due to Alma Mater and Barclays European Infrastructure Fund LP. An amount of £78,000 (2008: £Nil) remains outstanding at the balance sheet date and is included within creditors falling due within one year. On 31 August 2008 the accrued benefit of all interest earned prior to this date was transferred to UPP Group Limited.

During the year the group, on normal commercial terms, incurred costs of £Nil (2008: £5,586,000) for services provided by Alma Mater in respect of development costs incurred. No amounts were outstanding at the balance sheet date (2008: £Nil).

During the year the group incurred costs of £Nil (2008: £141,000) in respect of services provided by Alma Mater and Barclays European Infrastructure Fund LP. On 31 August 2008 the accrued benefit to these costs was transferred to UPP Group Limited.

During the year ended 31 August 2008 the group borrowed funds, on normal commercial terms, of £1,473,000 from Alma Mater and Barclays European Infrastructure Fund LP and incurred interest of £98,000 during that year. On 31 August 2008 this loan plus accrued interest was transferred to UPP Group Limited.

During the year the group recharged costs of £Nil (2008: £979,000) incurred in respect of the group restructuring to Alma Mater. An amount of £Nil (2008: £523,000) remains outstanding at the balance sheet date and is included within creditors falling due within one year.

From 20 February 2008 the group received income of £Nil (2008: £938,000) from Alma Mater for services provided. An amount of £Nil (2008: £4,289,000) remains outstanding as the balance sheet date and is included within debtors falling due within one year.

From 20 February 2008 the group made loans of £Nil (2008: £3,460,000) to Alma Mater and accrued interest of £66,000 (2008: £221,000). An amount of £Nil (2008: £4,432,000) remains outstanding as the balance sheet date and is included within debtors falling due within one year.

UPP Group Holdings Limited
Notes to the financial statements (continued)
for the year ended 31 August 2009



25. Related party transactions (continued)

Group (continued)

During the year the group issued loan notes of £Nil (2008: £4,248,000) to Barclays European Infrastructure Fund II LP. An amount of £Nil (2008: £4,248,000) remains outstanding at the balance sheet date and is included within debtors due within one year.

On 7 September 2007 The University of York acquired loan notes and a 22% shareholding in the wholly owned subsidiary UPP (Alcuin) Limited. During the year the group incurred costs of £1,054,000 (2008: £943,000) in respect of services provided by the University and received income of £4,626,000 (2008: £4,145,000) in respect of services provided to the University. An amount of £264,000 (2008: £150,000) remains outstanding at the balance sheet date and is included within creditors falling due within one year.

On 23 July 2008 Nottingham Trent University acquired loan notes and a 20% shareholding in UPP (Nottingham) Limited. During the year the group incurred costs of £1,023,000 (2008: £161,000) in respect of services provided by the University and received income of £10,624,000 (2008: £161,000) in respect of services provided to the University. An amount of £725,000 (2008: £152,000) remains outstanding at the balance sheet date and is included within creditors falling due within one year.

Company

The company had no related party transactions during the financial years ended 31 August 2009 and 31 August 2008 other than those disclosed elsewhere.

UPP Group Holdings Limited

Notes to the financial statements (continued)

for the year ended 31 August 2009

26. Investments

The company owns 100% of the issued share capital in UPP Group Limited.

Details of the trading subsidiaries in which UPP Group Limited holds 20% or more of the nominal value of any class of share capital, and which are included within the consolidated results of these financial statements, are as follows:

	Proportion	Shares held Class	Nature of Business
UPP (Alcuin) Limited	78%	A Ordinary	Student Accommodation
UPP (Lancaster) Holdings Limited	100%	Ordinary	Student Accommodation
UPP (Broadgate Park) Holdings Limited	100%	Ordinary	Student Accommodation
UPP (Nottingham) Limited	80%	A Ordinary	Student Accommodation
UPP (Plymouth Three) Limited	100%	A Ordinary	Student Accommodation
UPP (Kent Student Accommodation) Limited	100%	Ordinary	Student Accommodation
UPP (Loughborough Student Accommodation) Holdings Limited	100%	Ordinary	Student Accommodation
UPP Leeds Metropolitan II Limited	100%	Ordinary	Student Accommodation
UPP Loring Hall Limited	100%	Ordinary	Student Accommodation
UPP (Oxford Brookes) Limited	100%	Ordinary	Student Accommodation
UPP (Reading) Limited	100%	Ordinary	Student Accommodation
UPP Projects Limited	100%	Ordinary	Develop partnerships for the provision of student accommodation
UPP Residential Services Limited	100%	Ordinary	Provision of facility management services

The proportion of voting rights held is in line with the proportion of shares held except at UPP (Nottingham) Limited where the group holds 85% of the voting rights.

UPP Group Holdings Limited
Notes to the financial statements (continued)
for the year ended 31 August 2009



27. Notes to the statement of cash flows

(a) Reconciliation of operating profit to net cash inflow from operating activities:

	Year ended 31 August 2009 Group £'000	Year ended 31 August 2008 Group £'000
Operating profit	22,601	9,197
Depreciation	3,025	1,824
Goodwill amortisation	6,128	3,277
Increase in provisions	40	-
Gain on lease extension	-	(219)
Loss on disposal of minority interests	-	1,535
Decrease in debtors due within one year	15,271	556
(Decrease) / increase in creditors due within one year	(2,871)	17,113
Net cash inflow from operating activities	44,194	33,283

(b) Analysis of changes in net debt

	At 1 September 2008 £'000	Cash flow £'000	Other changes £'000	At 31 August 2009 £'000
Cash at bank and in hand	47,896	6,457	4,281	58,634
Debt due within one year	(17,620)	17,252	(1,966)	(2,334)
Debt due after one year, including non recourse	(568,800)	(57,426)	(2,315)	(628,541)
	(538,524)	(33,717)	-	(572,241)

(c) Reconciliation of net cash flow to movement in net debt

	Year ended 31 August 2009 £'000	Year ended 31 August 2008 £'000
Increase / (decrease) in cash	6,457	(6,704)
Cash inflow from increase in loans	(94,236)	(280,272)
Cash outflow from repayment of debt	54,062	238,733
Movement in net debt resulting from cash flows	(33,717)	(48,243)
New loans acquired with subsidiary undertakings	-	(156,844)
New debt issue costs incurred	-	4,366
Amortisation of debt issue costs	-	(6,986)
Capitalisation of debts due to parent companies	-	87,509
Movement in net debt	(33,717)	(120,198)
Net debt at 1 September 2008	(538,524)	(418,326)
Net debt at 31 August 2009	(572,241)	(538,524)

UPP Group Holdings Limited
Notes to the financial statements (continued)
for the year ended 31 August 2009



27. Notes to the statement of cash flows (continued)

(d) Cash flow relating to exceptional items

During the year ended 31 August 2008 the group paid £2,600,000 in respect of the extension of the leases at UPP (Plymouth) Limited, UPP (Plymouth Two) Limited and UPP (Plymouth Three) Limited that occurred on 13 December 2006.

28. Financial commitments

At 31 August 2009, the group had an amount of £Nil (2008: £17,784,000) contracted for but not provided for at that date. The prior year commitment related to ongoing construction of rooms of student residential accommodation.

At 31 August 2009, the group had annual commitments under non-cancellable operating leases as set out below:

	Year ended 31 August 2009 Land & buildings £'000	Year ended 31 August 2008 Land & buildings £'000
Operating leases which expire:		
In one to two years	<u>246</u>	<u>246</u>

At 31 August 2009 the company had no financial commitments.

29. Post balance sheet events

On 6 November 2009 a wholly owned subsidiary, UPP (Broadgate Park) Holdings Limited renegotiated the terms of its current senior & subordinated debt facilities. As part of the renegotiations that company borrowed additional funds that enabled that company to enter into an option to extend the lease terms at all of its premises to 2048 and complete a refurbishment programme on approximately 850 rooms.