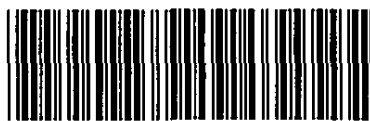


**UPP Group Holdings Limited  
Report and financial statements**

**For the year ended 31 August 2010**

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# **UPP Group Holdings Limited**

## **Report and financial statements**

### **for the year ended 31 August 2010**



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# UPP Group Holdings Limited

## Directors and advisors



### **Directors**

G Behr  
J Benkel  
R McClatchey  
S O'Shea  
A Clapp

### **Secretary**

J 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 2010**



I am delighted to present the results for UPP Group Holdings Limited for the year ended 31 August 2010. As the UK's leading provider of university 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 24% from £67.8m to £83.4m
- Improved operating profit margins from 33.3% to 38.7%
- EBITDA up 34% from £31.8m to £40.5m (before one-off provisions)
- Cash balances increased by over £6.3m
- The successful close of four projects, raising approximately £300m. In addition one project was closed after year end, raising approximately £24m
- Increased portfolio of nearly 21,500 student rooms, both operational and in construction, with a 100% occupancy rate for the financial year ending August 2010 and a 99.8% occupancy rate at the beginning of academic year 2010/2011

The Group's continued success over this 12 month period demonstrates the resilience of our business model and further consolidates the robust performance of the Group in a challenging economic environment. 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 the performance of the two operating subsidiaries, UPP Residential Services Limited (URSL) and UPP Projects Limited (UPL), has driven the growth in turnover. Margins have improved on the basis of improved efficiency in service delivery combined with more sophisticated procurement practices. Operationally, we have reduced the cost of delivering first rate services by exploiting the economies of scale provided by our national portfolio and the long term nature of our partnerships.

Reflecting the increased value within the cash-flow based assets, the Directors decided to revalue the assets composing the portfolio this year so as to better represent the true value of the Group. This exercise was undertaken by King Sturge and saw the value of these assets increase by £74.3m as at 31 August 2009. This represents an increase in value of over 10% on the previous carrying value. The net assets as at that date have been restated from £119.9m to £194.2m.

Since 31 August 2009, UPP has continued to successfully raise both new equity and bank debt on a number of transactions. In summary these have been:

- The two stage financial close of the £130m transaction at University of Exeter to provide 1,948 new student bedrooms and transfer the operation of a further 621 rooms. The phased construction element of this scheme is due to become operational in time for the academic year 2012/13.
- The refinancing of the senior debt facility at UPP (Broadgate Park) Holdings Limited to enable a lease extension and refurbishment of 850 rooms at the site at the University of Nottingham.
- Raising £39m of new equity and bank debt to provide Nottingham Trent University with a further 727 new rooms at its Clifton campus. Construction is due to be completed ahead of the 2011/12 academic year.
- Following the year end, raising £24m of new equity and bank debt to provide the University of Kent with a further 495 new rooms at its Medway campus. Construction is again due to be completed for occupation by students in the academic year 2011/12.

The refurbishment of the 850 rooms at the University of Nottingham was completed ahead of the 2010/11 academic year within budget. Construction at the remaining schemes is continuing to programme and within budget.

# **UPP Group Holdings Limited**

## **CEO's statement (continued)**

### **for the year ended 31 August 2010**



The successful completion of projects during the year has also been in no small part due to the strength of support UPP has received from our University partners, relationship lenders and equity providers and puts the Group in an enviable position, capable of winning and delivering the widest variety of opportunities coming to market in the Higher Education (HE) sector

In addition to this robust performance, since the start of the new financial year UPP has been selected as the preferred bidder for two further major schemes. Both of these schemes represent a significant step forward for UPP, not only in terms of achieving our target room number of 35,000, but in diversifying our activities to better meet the changing needs of our partners. These schemes will be the subject of further announcements in due course.

During the year the Group also undertook a detailed strategic review of its portfolio to ensure that it is best placed to benefit from existing and future funding markets. A number of the bank facilities that UPP has negotiated over the last three years are due to mature in the next 18 to 36 months and this review has provided a clear strategy for the refinancing of these schemes whilst continuing to benefit in the short term from the current favourable funding rates. I intend to announce further details on this strategy in due course.

UPP believe that the HE sector has entered a period of significant change. The UK's leading HE institutions are amongst the best in the world and UPP recognises that there are tremendous opportunities for growth in the sector. Domestic student numbers have continued to grow as many choose study over an uncertain employment market, whilst overseas students continue to be attracted by a first class education, a global brand and the relative weakness of sterling. Given recent changes to the structure of funding of both students and institutions, and a reduction in recurrent and capital grant funding from HEFCE, UPP believe that universities will increasingly seek to make more effective use of their assets and develop new income streams. As a trusted partner to the sector, UPP is uniquely positioned to benefit, by increasing the number of universities we work with and by deepening our relationships with existing partners.

Similarly, our operational arm, URSL, is working with institutions to bring down the cost of delivering non-core services to the sector, while still maintaining the highest standards of service delivery to students. I am pleased to announce that during the last 12 months we have successfully secured our first contracts in this area and I hope to be in a position to announce further progress concerning this and other initiatives in the near future.

With a substantial pipeline, long-term partnerships in the sector and strong relationships with lenders and equity providers, the Board at UPP look 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.

A handwritten signature in black ink, appearing to read 'Sean O'Shea'.

**Sean O'Shea**  
GROUP CEO

# UPP Group Holdings Limited

## Directors' report

### for the year ended 31 August 2010



The directors present their report and the company and group financial statements for the year ended 31 August 2010

#### 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 2010, the group maintained an interest in approximately 16,000 operational rooms for an average lease period of 39 years. In addition a subsidiary undertaking, UPP Residential Services Limited, provides services for an additional 2,744 operational rooms not included within the results of the group, with a further 2,110 rooms in construction and due for full completion ahead of the 2012/13 academic year.

The group achieved 100% occupancy for the year ended 31 August 2010 and 99.8% occupancy at the start of the year ended 31 August 2011.

The group's loss for the year attributable to shareholders and reported in the financial statements is £6,643,000 (2009: £7,421,000).

#### Post balance sheet event

On 26 October 2010 the group entered into an agreement to construct and operate a further 495 rooms for a period of 50 years, due for completion ahead of the 2011/12 academic year.

#### 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:

	2009/10	2008/09
Average Applications Acceptance ratio	537.1	50.1
Average core demand pool (no. of students)	12,017	11,626

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 (continued)

### for the year ended 31 August 2010



#### Key performance indicators (continued)

##### *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

	2009/10	2008/09
Health and Safety audit average score	93%	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 four financial closes in the current year along with another one completed shortly after the year end compared to the two 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 19 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 2010**



#### **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 £2,800,000 during the year (2009 £5,000,000)

#### **Directors and their interests**

The directors holding office during the year ended 31 August 2010 and subsequently are

G Behr	
J Benkel	
A Gregson	(resigned 7 June 2010)
R McClatchey	
S O'Shea	
A Clapp	(appointed 29 September 2010)

At 31 August 2010, 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 35 days (2009 41 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 2010

#### 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.

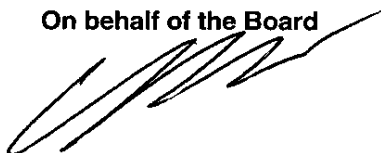
In so far as the directors are aware

- 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 Behr  
Director

17 FEB 2011

## **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 2010 which comprise the consolidated profit and loss account, consolidated statement of total recognised gains and losses, consolidated note of historical cost profits and losses, consolidated balance sheet, company balance sheet, consolidated statement of cash flows and the related notes 1 to 28. 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 Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **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](http://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 the parent company's affairs as at 31 August 2010 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.



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

*Grant Thornton UK LLP*

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

**Central Milton Keynes**

**17 February 2011**

# UPP Group Holdings Limited

## Consolidated profit and loss account

### for year ended 31 August 2010



	Notes	Year ended 31 August 2010 £'000	Year ended 31 August 2009 £'000
Turnover	2	83,449	67,796
Cost of sales		<u>(30,785)</u>	<u>(23,729)</u>
<b>Gross profit</b>		<b>52,664</b>	<b>44,067</b>
Operating expenses		<u>(20,354)</u>	<u>(21,466)</u>
<b>Operating profit</b>	6	<b>32,310</b>	<b>22,601</b>
Interest receivable & similar income	7	<b>2,680</b>	1,978
Interest payable & similar charges	8	<u>(39,972)</u>	<u>(33,984)</u>
<b>Loss on ordinary activities before taxation</b>		<b>(4,982)</b>	<b>(9,405)</b>
Tax (charge) / credit on loss on ordinary activities	9	<u>(2,119)</u>	<u>1,391</u>
<b>Loss on ordinary activities before minority interest</b>		<b>(7,101)</b>	<b>(8,014)</b>
Minority interests	22(c)	<u>458</u>	<u>593</u>
<b>Loss for the financial year</b>	22(a)	<u><b>(6,643)</b></u>	<u><b>(7,421)</b></u>

The above results all relate to continuing operations

**UPP Group Holdings Limited**  
**Consolidated statement of recognised**  
**gains and losses**  
**for year ended 31 August 2010**



		<b>Year ended 31 August 2010 £'000</b>	<b>Restated Year ended 31 August 2009 £'000</b>
	Notes		
Loss for the financial year		<b>(6,643)</b>	<b>(7,421)</b>
Surplus on revaluation of principal asset	22	-	74,362
<b>Total recognised gains and losses relating to the year</b>		<b>(6,643)</b>	<b>66,941</b>

**Consolidated note of historical cost profits and losses**

	<b>Year ended 31 August 2010 £'000</b>	<b>Year ended 31 August 2009 £'000</b>
Reported loss on ordinary activities before taxation	<b>(4,982)</b>	<b>(9,405)</b>
Difference between historical cost depreciation charge and the actual depreciation charge of the year calculated at the revalued amount	<b>266</b>	-
<b>Historical cost loss on ordinary activities before taxation</b>	<b>(4,716)</b>	<b>(9,405)</b>

# UPP Group Holdings Limited

## Consolidated balance sheet

### as at 31 August 2010



		31 August 2010	Restated 31 August 2009
	Notes	£'000	£'000
<b>Fixed assets</b>			
Intangible assets	11	31,906	35,722
Tangible assets	12	721,068	709,987
		<u>752,974</u>	<u>745,709</u>
<b>Current assets</b>			
Debtors subject to non-recourse finance	14	33,841	34,533
Non-recourse finance	15	(35,822)	(36,077)
		<u>(1,981)</u>	<u>(1,544)</u>
Debtors amounts falling due within one year	16	6,156	10,879
Debtors amounts falling due after more than one year	17	5,066	7,379
Cash at bank and in hand		65,002	58,634
		<u>74,243</u>	<u>75,348</u>
Creditors amounts falling due within one year	18	(30,753)	(25,603)
<b>Net current assets</b>		<u>43,490</u>	<u>49,745</u>
<b>Total assets less current liabilities</b>		<u>796,464</u>	<u>795,454</u>
Creditors amounts falling due after more than one year	19	(610,184)	(599,654)
<b>Provisions for liabilities</b>	20	(1,788)	(1,561)
		<u>184,492</u>	<u>194,239</u>
<b>Share capital and reserves</b>			
Called up share capital	21	5,186	5,186
Share premium account	22(a)	118,918	118,918
Other reserve	22(a)	38,736	38,736
Capital reserves	22(a)	593	439
Revaluation reserve	22(a)	70,492	70,747
Profit and loss account	22(a)	(54,421)	(45,233)
<b>Shareholders' funds</b>	22(a)	<u>179,504</u>	<u>188,793</u>
Minority interests	22(c)	4,988	5,446
		<u>184,492</u>	<u>194,239</u>

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

  
G Behr  
Director

17 FEB 2011  
  
J Benkel  
Director

# UPP Group Holdings Limited

## Company balance sheet

### as at 31 August 2010



	Notes	31 August 2010 £'000	31 August 2009 £'000
<b>Fixed assets</b>			
Investments	13	141,217	141,217
<b>Current assets</b>			
Debtors	16	2	2
Cash at bank and in hand		4	3
		<u>6</u>	<u>5</u>
Creditors amounts falling due within one year	18	<u>(1)</u>	<u>(622)</u>
<b>Net current assets / (liabilities)</b>		5	(617)
Creditors amounts falling due after more than one year	19	(8,267)	(7,190)
		<u>132,955</u>	<u>133,410</u>
<b>Share capital and reserves</b>			
Called up share capital	21	5,186	5,186
Share premium account	22(b)	118,918	118,918
Profit and loss account	22(b)	<u>8,851</u>	<u>9,306</u>
<b>Shareholders' funds</b>		<u>132,955</u>	<u>133,410</u>

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

17 FEB 2011

**G Behr**

**Director**

**Registered no: 05016028**

**J Benkel**

**Director**

# UPP Group Holdings Limited

## Consolidated statement of cash flows

### for the year ended 31 August 2010



	Notes	Year ended 31 August 2010 £'000	Year ended 31 August 2009 £'000
<b>Net cash flow from operating activities</b>	26(a)	<b>40,891</b>	<b>44,194</b>
<b>Returns on investments and servicing of finance</b>			
Interest received		3,372	2,007
Interest paid		(31,297)	(29,807)
Costs associated with issue of debt		(2,150)	(559)
Premium paid on interest hedging		-	(511)
<b>Net cash flow from returns on investments and servicing of finance</b>		<b>(30,075)</b>	<b>(28,870)</b>
<b>Taxation</b>		<b>325</b>	<b>(675)</b>
<b>Capital expenditure and financial investment</b>			
Payments to acquire tangible fixed assets		(13,025)	(27,046)
Payments to acquire finance receivable assets		-	(16,473)
<b>Net cash flow from capital expenditure and financial investment</b>		<b>(13,025)</b>	<b>(43,519)</b>
<b>Equity dividends paid</b>		<b>(2,800)</b>	<b>(5,000)</b>
<b>Net cash flow before financing</b>		<b>(4,684)</b>	<b>(33,870)</b>
<b>Financing</b>			
Cash outflow from repayment of senior debt		(1,080)	(38,402)
Cash outflow from repayment of bridge debt		-	(4,152)
Cash outflow from repayment of other loans		-	(2,410)
Cash outflow from repayment of loan from parent undertakings		-	(9,098)
Cash inflow from increase in loans		11,978	94,236
Capital contributions		154	153
<b>Net cash flow from financing</b>		<b>11,052</b>	<b>40,327</b>
<b>Increase in cash during year</b>	26(c)	<b>6,368</b>	<b>6,457</b>

# UPP Group Holdings Limited

## Notes to the financial statements

### for the year ended 31 August 2010

#### 1. Principal accounting policies

##### (a) Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of some fixed assets, and in accordance with applicable accounting standards and the Companies Act 2006. The accounting policies remain unchanged from the previous year with the exception of the accounting policy for the valuation of tangible fixed assets. During the year the directors concluded that the accounts did not present the true worth of the entity as a result of carrying the principal asset at historical cost. By presenting the principal assets at market value a more relevant and reliable picture on the position of the consolidated entity can be drawn from the accounts. Consequently the carrying value of the principal assets has increased by £74,362,000 as at 31 August 2009 and £74,096,000 at 31 August 2010. In the profit and loss account depreciation for the year ended 31 August 2010 increased by £266,000.

##### (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 £2,345,000 (2009 £14,102,000) before dividends paid of £2,800,000 (2009 £5,000,000).

Any subsequent increase in the group's controlling interest in a subsidiary is dealt with by revaluing 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 2010

#### 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 during that 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.

##### (f) Tangible fixed assets

Tangible fixed assets are stated at historic cost or valuation, 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.

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

# UPP Group Holdings Limited

## Notes to the financial statements (continued)

### for the year ended 31 August 2010

#### 1. Principal accounting policies (continued)

##### (f) Tangible fixed assets (continued)

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

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.

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 remaining average lease term is 39 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.

# UPP Group Holdings Limited

## Notes to the financial statements (continued)

### for the year ended 31 August 2010

#### 1. Principal accounting policies (continued)

##### (i) Investments (continued)

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.

##### (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) Revaluation reserve

The revaluation reserve comprises gains and losses due to revaluation of tangible fixed assets.

##### (l) Capital reserve

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.

##### (m) 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.

##### (n) 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.

##### (o) 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.

##### (p) 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 at that earliest opportunity the debt can be repaid.

# UPP Group Holdings Limited

## Notes to the financial statements (continued)

### for the year ended 31 August 2010

#### 1. Principal accounting policies (continued)

##### (q) 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.

##### (r) 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.

##### (s) 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.

##### (t) 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.

# UPP Group Holdings Limited

## Notes to the financial statements (continued)

### for the year ended 31 August 2010



#### 1. Principal accounting policies (continued)

##### (u) Long term incentive scheme

The Group operates a long-term incentive scheme for certain employees within the Group. The amount of any awards receivable by the employees will depend on the results of the entity and the overall growth of the business over a period of five years. In certain circumstances a specific event can trigger an earlier payment. The profit and loss account includes an amount representing the associated employment expense for the accounting period.

##### (v) 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.

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.

#### 2. Turnover

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

	Year ended 31 August 2010 £'000	Year ended 31 August 2009 £'000
Facilities management services	2,855	2,880
Management & product development services	14,392	6,270
Finance receivable asset, net of discounts	750	-
Provision of student accommodation	65,452	58,646
	<b>83,449</b>	<b>67,796</b>

# UPP Group Holdings Limited

## Notes to the financial statements (continued)

### for the year ended 31 August 2010



### 3. Directors' remuneration

The directors of the group companies received remuneration in respect of services performed in connection with the management of the affairs of the group through the wholly owned subsidiaries, UPP Projects Limited and UPP Residential Services Limited

The remuneration costs for these directors were

	Year ended 31 August 2010 £'000	Year ended 31 August 2009 £'000
Emoluments	2,218	1,700
Company contributions to defined contribution schemes	103	97
Amounts receivable under long term incentive schemes	1,177	-
Compensation for loss of office	98	-
	<b>3,596</b>	<b>1,797</b>

Of the above amounts, above £2,694,000 (2009 £1,083,000) relates to payments made to directors acting on behalf subsidiary undertakings. Of the amounts receivable under long term incentive schemes, £1,077,000 has been provided for and remains unpaid, refer to note 19.

The payments above have been made to the following number of directors acting for either on behalf of the Group or for subsidiary undertakings

	2010 Number	2009 Number
UPP Group Holdings Limited	3	3
UPP Residential Services Limited	4	4
UPP Projects Limited	5	3

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

	£'000	£'000
Emoluments	378	268
Company contributions to defined contribution schemes	20	17
	<b>398</b>	<b>285</b>

### 4. Auditor's remuneration

	Year ended 31 August 2010 £'000	Year ended 31 August 2009 £'000
Fees payable to the Company's auditor for the audit of the company's annual accounts	13	12
Fees payable to the Company's auditor and its associates for other services		
The audit of the company's subsidiaries pursuant to legislation	302	288
Tax compliance services	91	83
Tax advisory services	795	194
	<b>1,201</b>	<b>577</b>

**UPP Group Holdings Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 August 2010**



**5. Employee information**

	<b>2010</b>	<b>2009</b>
	<b>Number</b>	<b>Number</b>
The average number of persons employed by the group during the year was as follows		
Site managers (full time)	<b>12</b>	10
Administration, maintenance and cleaning (full and part time)	<b>341</b>	328
	<b>353</b>	<b>338</b>

The employment costs of all employees included above were

	<b>Year ended 31 August 2010 £'000</b>	<b>Year ended 31 August 2009 £'000</b>
Wages and salaries	<b>10,117</b>	9,557
Social security costs	<b>982</b>	938
Other pension costs	<b>316</b>	307
	<b>11,415</b>	<b>10,802</b>

**6. Operating profit**

The operating profit is stated after charging

	<b>Year ended 31 August 2010 £'000</b>	<b>Year ended 31 August 2009 £'000</b>
Amounts due under long term incentive schemes	<b>1,177</b>	-
Amortisation of goodwill	<b>3,816</b>	6,128
Depreciation	<b>3,333</b>	3,025

**7. Interest receivable and similar income**

	<b>Year ended 31 August 2010 £'000</b>	<b>Year ended 31 August 2009 £'000</b>
Interest on cash balances	<b>271</b>	899
Interest capitalised	-	(2)
Interest on loan to parent companies	-	66
Interest on finance receivable	<b>2,409</b>	996
Other interest	-	19
	<b>2,680</b>	<b>1,978</b>

**UPP Group Holdings Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 August 2010**

**8. Interest payable and similar charges**

	Year ended 31 August 2010 £'000	Year ended 31 August 2009 £'000
Bank loan interest	37,531	34,862
Subordinated debt bridge interest	132	377
Subordinated loan interest	159	232
Amortisation of commitment fees and debt issue costs	2,150	559
Interest on late payment of corporation tax	-	5
	<b>39,972</b>	<b>36,035</b>
Finance costs capitalised	-	(2,051)
	<b>39,972</b>	<b>33,984</b>

**9. Tax on loss on ordinary activities**

	Year ended 31 August 2010 £'000	Year ended 31 August 2009 £'000
<b>a) Analysis of charge / (credit) for the year</b>		
<i>Current tax</i>		
Current tax on income for the year	1,951	-
Adjustment to tax charge in respect of prior years	(59)	(1,502)
Total current tax charge / (credit) (note 9b)	<b>1,892</b>	<b>(1,502)</b>
<i>Deferred tax</i>		
Current year	270	411
Adjustments to tax charge in respect of previous years	16	(300)
Rate difference	(59)	-
Total deferred tax (note 20)	<b>227</b>	<b>111</b>
<b>Tax charge / (credit) on loss on ordinary activities</b>	<b>2,119</b>	<b>(1,391)</b>

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

The tax assessed for the year is higher (2009 higher) than the standard rate of corporation tax in the UK 28% (2009 28%). The differences are explained below

	Year ended 31 August 2010 £'000	Year ended 31 August 2009 £'000
Loss on ordinary activities before tax	<b>(4,982)</b>	<b>(9,405)</b>
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2008 28%)	<b>(1,395)</b>	<b>(2,633)</b>
<i>Effects of</i>		
Disallowable expenses	3,149	2,663
Capital allowances in excess of depreciation	(537)	(2,115)
Lease premium relief and other timing differences	297	2
Adjustment to tax charge in respect of prior years	(59)	(1,502)
Non taxable income	(2,231)	-
Unutilised tax losses	2,668	2,083
<b>Current tax charge / (credit) for the year (note 9a)</b>	<b>1,892</b>	<b>(1,502)</b>

# UPP Group Holdings Limited

## Notes to the financial statements (continued)

### for the year ended 31 August 2010



#### 9. Tax on loss on ordinary activities (continued)

##### c) Factors that may affect future tax charges

A deferred tax asset of £17,748,000 (2009 £15,856,000) in respect of available tax losses has not been recognised at 31 August 2010. This is due to there being no persuasive and reliable evidence available at this time of suitable profits to offset these losses.

No provision has been made for deferred tax on gains recognised on revaluing property to its market value. Such tax would become payable only if the property were sold without it being possible to claim rollover relief. The total amount unprovided is £35,823,000 (2009 £42,064,000). At present, it is not envisaged that any tax will become payable in the foreseeable future.

#### 10. Dividends

	Year ended 31 August 2010 £'000	Year ended 31 August 2009 £'000
Dividends paid in year on equity shares	<u>2,800</u>	<u>5,000</u>

#### 11. Intangible fixed assets

	Positive Goodwill £'000
<b>Cost</b>	
At 1 September 2009 and at 31 August 2010	<u>45,807</u>
<b>Amortisation</b>	
At 1 September 2009	10,085
Charge during the year	3,816
<b>At 31 August 2010</b>	<u>13,901</u>
<b>Net book value</b>	
<b>At 31 August 2010</b>	<u>31,906</u>
At 31 August 2009	<u>35,722</u>

Goodwill has arisen on the acquisition of the subsidiary undertakings in April 2004 and during the year ended 31 August 2008.

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 2010**

**12. Tangible fixed assets**

<b>Group</b>	<b>Restated Assets for use in operating leases £'000</b>	<b>Fixtures &amp; fittings £'000</b>	<b>Total £'000</b>
<b>Cost or valuation</b>			
At 1 September 2009	645,919	1,061	646,980
Revaluation	63,399	-	63,399
At 1 September 2009 (restated)	709,318	1,061	710,379
Additions	14,329	85	14,414
<b>At 31 August 2010</b>	<b>723,647</b>	<b>1,146</b>	<b>724,793</b>
<b>Depreciation</b>			
At 1 September 2009	10,963	392	11,355
Revaluation	(10,963)	-	(10,963)
	-	392	392
Charge during the year	3,067	266	3,333
<b>At 31 August 2010</b>	<b>3,067</b>	<b>658</b>	<b>3,725</b>
<b>Net book value</b>			
<b>At 31 August 2010</b>	<b>720,580</b>	<b>488</b>	<b>721,068</b>
At 31 August 2009	709,318	669	709,987

Fixed assets include net finance costs up to the date of completion of £23,824,000 (2009 £23,824,000) An amount of £Nil (2009 £1,246,000) was capitalised during the year

Assets used in operating leases were independently valued by King Sturge, Chartered Surveyors, on an existing use basis at 31 August 2010 with subsequent additions at cost The valuation was completed as at 31 August 2010 King Sturge have confirmed that the total value of the individual assets as at that date is £720,580,000

As this is a change in accounting policy the asset values for 31 August 2009 have also been restated to represent market value Therefore, individual 2009 asset values have been adjusted to reflect the market value of £720,580,000 as at 31 August 2010

If assets used in operating leases had not been revalued they would have been included at the following amounts

	<b>Assets for use in operating leases 31 August 2010 £'000</b>	<b>Assets for use in operating leases 31 August 2009 £'000</b>
Cost or fair value	660,248	645,919
Depreciation	(13,764)	(10,963)
<b>Net book value at 31 August</b>	<b>646,484</b>	<b>634,956</b>

**UPP Group Holdings Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 August 2010**



**13. Fixed asset investments**

Company	Interest in group undertakings £'000
At 1 September 2009 and at 31 August 2010	<b>141,217</b>

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 25

**14. Debtors subject to non recourse finance**

	31 August 2010 Group £'000	31 August 2010 Company £'000	31 August 2009 Group £'000	31 August 2009 Company £'000
Finance receivable	<b>33,841</b>	-	34,533	-

The finance receivable asset includes net finance costs of £1,119,000 (2009 £1,119,000)

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

**15. Non recourse finance**

	31 August 2010 Group £'000	31 August 2010 Company £'000	31 August 2009 Group £'000	31 August 2009 Company £'000
Senior debt	<b>35,822</b>	-	36,077	-

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 2010**



**16. Debtors: amounts falling due within one year**

	31 August 2010	31 August 2010	31 August 2009	31 August 2009
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Trade debtors	1,752	-	172	-
Amounts owed by related parties	1,113	-	633	-
Amounts due from subsidiary undertaking	-	2	-	2
VAT recoverable	101	-	774	-
Corporation tax recoverable	-	-	320	-
Prepayments and accrued income	3,190	-	8,980	-
	<b>6,156</b>	<b>2</b>	<b>10,879</b>	<b>2</b>

**17. Debtors: amounts falling due after more than one year**

	31 August 2010	31 August 2010	31 August 2009	31 August 2009
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Prepayments and accrued income	5,066	-	7,379	-

**18. Creditors: amounts falling due within one year**

	31 August 2010	31 August 2010	31 August 2009	31 August 2009
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Bank loans	3,412	-	1,712	-
Loan notes from ultimate controlling party	-	-	622	622
Trade creditors	3,038	-	4,081	-
Amounts owed to related parties	679	-	990	-
Other taxes and social security	930	-	736	-
Corporation tax	1,897	-	-	-
Other creditors	1,483	-	3,725	-
Accruals and deferred income	19,314	1	13,737	-
	<b>30,753</b>	<b>1</b>	<b>25,603</b>	<b>622</b>

**UPP Group Holdings Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 August 2010**



**19. Creditors: amounts falling due after more than one year**

	31 August 2010 Group £'000	31 August 2010 Company £'000	31 August 2009 Group £'000	31 August 2009 Company £'000
Senior debt	599,991	-	588,838	-
Subordinated bridge debt	2,506	-	2,506	-
Secured subordinated loan notes	2,832	-	2,832	-
Loan notes from ultimate controlling party	-	-	622	622
Contingent consideration	7,190	7,190	7,190	7,190
Long term incentive scheme	1,077	1,077	-	-
	<b>613,596</b>	<b>8,267</b>	<b>601,988</b>	<b>7,812</b>
Less included in creditors amounts falling due within one year	<b>(3,412)</b>	<b>-</b>	<b>(2,334)</b>	<b>(622)</b>
	<b>610,184</b>	<b>8,267</b>	<b>599,654</b>	<b>7,190</b>

**Maturity of debt**

Repayable within one year or on demand	3,412	-	2,334	622
Repayable in more than one year but less than two years	1,702	-	4,531	-
Repayable in more than two years but less than five years	372,605	-	294,146	-
Repayable in more than five years	227,610	-	293,787	-
	<b>605,329</b>	<b>-</b>	<b>594,798</b>	<b>622</b>
Less included in creditors amounts falling due within one year	<b>(3,412)</b>	<b>-</b>	<b>(2,334)</b>	<b>(622)</b>
	<b>601,917</b>	<b>-</b>	<b>592,464</b>	<b>-</b>

**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	5.75%	3 years	Sept 2012 – Nov 2013
Long term facilities	5.67%	31 years	Aug 2039 – Sept 2042

All facilities are fully utilised

**Subordinated bridge debt**

The subordinated bridge facility as at 31 August 2010 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.

# **UPP Group Holdings Limited**

## **Notes to the financial statements (continued)**

### **for the year ended 31 August 2010**



#### **19. Creditors: amounts falling due after more than one year (continued)**

##### **Secured subordinated loan notes**

The subordinated loan note funding has been provided by The University of York and Nottingham Trent University

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 41 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 a maximum of £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.

##### **Long term incentive scheme**

On 8 December 2009 one of the subsidiary undertakings, UPP Residential Services Limited, entered into agreement with a number of its directors, to reward them for achieving long term performance criteria. As at the year end that amount that the directors believe would be payable based on current expectations is £1,077,000 (2009: £Nil). This is likely to be realised over the next four years.

##### **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. The company utilised £9.72m of this facility.

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.

In December 2008 the company repaid £9,098,000 of this loan. As at 31 August 2010 The Alma Mater Fund LP has agreed to waive all future and accrued interest & principal repayments on the remaining £622,000 of the loan and this amount has been written back in the profit & loss account of the company.

**UPP Group Holdings Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 August 2010**



**20. Provisions for liabilities**

Group	Deferred tax £'000	Dilapidations £'000	Total £'000
At 1 September 2009	1,378	183	1,561
Charged to profit & loss account	227	-	227
<b>At 31 August 2010</b>	<b>1,605</b>	<b>183</b>	<b>1,788</b>

Deferred Tax	31 August 2010 Group £'000	31 August 2009 Group £'000
The deferred tax liability consists of		
Accelerated capital allowances	16,114	16,096
Other timing differences	(14,509)	(14,718)
<b>Total deferred tax liability</b>	<b>1,605</b>	<b>1,378</b>

**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

**21. Called up share capital**

	31 August 2010 Group and Company £'000	31 August 2009 Group and Company £'000
<b>Authorised</b>		
5,500,000 Ordinary shares of £1 each	5,500	5,500
<b>Allotted, called up and fully paid</b>		
5,186,462 Ordinary shares of £1 each	5,186	5,186

**UPP Group Holdings Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 August 2010**

**22. Reconciliation of shareholders' funds and movement on reserves**

**(a) Group**

	Share capital £'000	Share premium account £'000	Other reserve £'000	Capital Reserve £'000	Revaluation Reserve £'000	Profit & loss account £'000	Total shareholders' funds £'000
At 1 September 2009	5,186	118,918	38,736	439	-	(45,233)	118,046
Change in accounting policy	-	-	-	-	70,747	-	70,747
At 1 September 2009 restated	5,186	118,918	38,736	439	70,747	(45,233)	188,793
Dividends paid	-	-	-	-	-	(2,800)	(2,800)
Capital contributions	-	-	-	154	-	-	154
Transfer to the profit and loss	-	-	-	-	(255)	255	-
Loss for the year	-	-	-	-	-	(6,643)	(6,643)
<b>At 31 August 2010</b>	<b>5,186</b>	<b>118,918</b>	<b>38,736</b>	<b>593</b>	<b>70,492</b>	<b>(54,421)</b>	<b>179,504</b>

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 2009	5,186	118,918	9,306	133,410
Dividends paid	-	-	(2,800)	(2,800)
Profit for the year	-	-	2,345	2,345
<b>At 31 August 2010</b>	<b>5,186</b>	<b>118,918</b>	<b>8,851</b>	<b>132,955</b>

**(c) Movement in minority interests**

	£'000
As at 1 September 2009	1,831
Change in accounting policy	3,615
As at 1 September 2009 (restated)	5,446
Loss for the year	(458)
<b>As at 31 August 2010</b>	<b>4,988</b>

Change in accounting policy refers to the minority interest share in the asset revaluation reserve

# **UPP Group Holdings Limited**

## **Notes to the financial statements (continued)**

### **for the year ended 31 August 2010**

#### **23. 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.

#### **24. Related party transactions**

As at 31 August 2010 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**

During the year the group incurred costs of £978,000 (2009 £1,054,000) in respect of services provided by the University of York and received income of £4,953,000 (2009 £4,626,000) in respect of services provided to the university. An amount of £138,000 (2009 £264,000) remains outstanding at the balance sheet date and is included within creditors falling due within one year.

During the year the group incurred costs of £1,002,000 (2009 £1,023,000) in respect of services provided by the Nottingham Trent University and received income of £11,297,000 (2009 £10,624,000) in respect of services provided to the university. An amount of £269,000 (2009 £725,000) 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 2010 and 31 August 2009 other than those disclosed elsewhere.

# **UPP Group Holdings Limited** **Notes to the financial statements (continued)** **for the year ended 31 August 2010**

## **25. 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

	<b>Proportion</b>	<b>Shares held Class</b>	<b>Nature of Business</b>
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 2010**

**26. Notes to the statement of cash flows**

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

	<b>Year ended 31 August 2010 Group £'000</b>	<b>Year ended 31 August 2009 Group £'000</b>
Operating profit	<b>32,310</b>	22,601
Depreciation	<b>3,333</b>	3,025
Goodwill amortisation	<b>3,816</b>	6,128
Increase in long term incentive scheme	<b>1,077</b>	-
Increase in provisions	<b>-</b>	40
Decrease in debtors due within one year	<b>4,402</b>	15,271
Decrease in creditors due within one year	<b>(4,047)</b>	(2,871)
<b>Net cash inflow from operating activities</b>	<b>40,891</b>	44,194

(b) Analysis of changes in net debt

	<b>At 1 September 2009 £'000</b>	<b>Cash flow £'000</b>	<b>Other changes £'000</b>	<b>At 31 August 2010 £'000</b>
Cash at bank and in hand	<b>58,634</b>	6,368	-	<b>65,002</b>
Debt due within one year	<b>(2,334)</b>	825	(1,903)	<b>(3,412)</b>
Debt due after one year, including non recourse	<b>(628,541)</b>	(11,723)	2,525	<b>(637,739)</b>
	<b>(572,241)</b>	<b>(4,530)</b>	<b>622</b>	<b>(576,149)</b>

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

	<b>Year ended 31 August 2010 £'000</b>	<b>Year ended 31 August 2009 £'000</b>
Increase in cash	<b>6,368</b>	6,457
Cash inflow from increase in loans	<b>(11,978)</b>	(94,236)
Cash outflow from repayment of debt	<b>1,080</b>	54,062
<b>Movement in net debt resulting from cash flows</b>	<b>(4,530)</b>	(33,717)
Loan note waived by ultimate parent entity	<b>622</b>	-
<b>Movement in net debt</b>	<b>(3,908)</b>	(33,717)
Net debt at 1 September 2009	<b>(572,241)</b>	(538,524)
<b>Net debt at 31 August 2010</b>	<b>(576,149)</b>	(572,241)

# **UPP Group Holdings Limited** **Notes to the financial statements (continued)** **for the year ended 31 August 2010**

## **27. Financial commitments**

At 31 August 2010, the group had an amount of £488,000 (2009 £Nil) contracted for but not provided for at that date. This related to ongoing construction of rooms of student residential accommodation due for completion in November 2010.

### **Analysis of Commitment**

Payable within one year	<b><u>488,000</u></b>
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At 31 August 2010, the group had annual commitments under non-cancellable operating leases as set out below:

	<b>Year ended 31 August 2010 Land &amp; buildings £'000</b>	<b>Year ended 31 August 2009 Land &amp; buildings £'000</b>
<b>Operating leases which expire:</b>		
Within one year	<b>144</b>	-
In one to two years	<b>-</b>	<b>246</b>

At 31 August 2010 the company had no financial commitments.

## **28. Post balance sheet events**

On 26 October 2010 the group entered into an agreement to construct and operate a further 495 rooms for a period of 50 years. A new subsidiary undertaking, UPP (Kent Student Accommodation II) Holdings Ltd was incorporated on 4 August 2010 to enter into this agreement. These rooms are scheduled to be completed ahead of the 2011/12 academic year.