

**UPP Group Limited
Report and financial statements**

For the year ended 31 August 2009



UPP Group Limited
Report and financial statements
for the year ended 31 August 2009

	Pages
Directors and advisors	1
Directors' report	2 - 4
Independent auditor's report	5 - 6
Profit and loss account	7
Balance sheet	8
Notes to the financial statements	9 – 16

UPP Group Limited

Directors and advisors



Directors

A C Gregson
D J Lomas
S O'Shea
M Allen
G S Behr
J C W Benkel
C W Crawford
P S Goddard

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 Limited

Directors' report

for the year ended 31 August 2009



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

Results, principal activity and review of the business

The company's principal activity is that of an investment holding company and the provision of treasury management facilities. The principal activity of its subsidiary undertakings is the development, funding, construction and operation (including facilities management) of student accommodation under the University Partnership Programme ('UPP').

The Group will continue to progress its strategy for growth through its subsidiary companies UPP Projects Limited and UPP Residential Services Limited.

UPP Projects Limited will continue to generate development fee income as a result of its bidding, transaction and development activities. The company will also generate returns from subordinated debt investments in each of the Special Purpose Vehicles established through the activity of UPP Projects Limited. UPP Residential Services Limited will increase its operational returns and generate fees from developing its Asset Management business.

Consolidated financial statements are not produced as the results of all of its subsidiary undertakings are included within the consolidated financial statements of the parent company, UPP Group Holdings Limited. The company was incorporated on 19 April 2007 and the comparative figures cover the period from that date to 31 August 2008.

The profit for the year attributable to shareholders and reported in the financial statements is £11,220,000 (2008: loss of £1,782,000).

Post balance sheet event

On 6 November 2009, a wholly owned subsidiary, UPP (Broadgate Park) Holdings Limited redeemed its current subordinated secured loan notes owed to the company and entered into a new facility with an additional subscription of £3,313,000.

Going concern

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

Financial risk management objectives and policies

The company 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 company's operations. All of the company'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 company to a number of financial risks, which are described in more detail below. The directors review and agree policies for managing each of these risks and they are summarised below. These policies have remained unchanged from the previous year.

UPP Group Limited

Directors' report (continued)

for the year ended 31 August 2009

Interest rate risk

The company finances its operations through a mixture of retained profits and intra group borrowings. Interest on the intra group borrowings is at commercial rates.

Liquidity risk

The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and debt servicing and to invest cash assets safely and profitably.

Dividend

The directors paid a dividend of £14,100,000 during the year (2008: £Nil).

Directors and their interests

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

A C Gregson	(appointed 15 October 2008)
D J Lomas	
S O'Shea	
M Allen	(appointed 15 October 2008)
G S Behr	
J C W Benkel	(appointed 15 October 2008)
C Crawford	(appointed 15 October 2008)
A J May	(resigned 2 March 2009)
R S McClatchey	(resigned 15 October 2008)
P S Goddard	(appointed 1 December 2009)

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 company gives due consideration to quality, price and the terms of payment. Suppliers are made aware of these terms. The company 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 38 days (2008: 17 days).

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 company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make 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.

UPP Group Limited

Directors' report (continued)

for the year ended 31 August 2009

Statement of directors' responsibilities (continued)

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

In so far as the directors are aware

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

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

9 FEBRUARY 2010

UPP Group Limited

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



We have audited the financial statements of UPP Group Limited for the year ended 31 August 2009 which comprise the profit and loss account, balance sheet, and the related notes 1 to 18. 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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 company's affairs as at 31 August 2009 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 Limited
Report of the independent auditor to
the members of UPP Group 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, appearing to read 'Malcolm Gomersall'.

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

Central Milton Keynes

18 February 2010

UPP Group Limited

Profit and loss account

for year ended 31 August 2009

		Year ended 31 August 2009 £'000	Period ended 31 August 2008 £'000
	Notes		
Turnover		-	-
Cost of sales		-	-
Gross profit		-	-
Other operating income	2	3,364	-
Investment income from subsidiary undertakings		3,349	-
Operating expenses		(1,483)	(296)
Operating profit / (loss)		5,230	(296)
Interest receivable & similar income	6	5,132	3,255
Interest payable & similar charges	7	-	(3,883)
Profit / (loss) on ordinary activities before taxation		10,362	(924)
Tax credit / (charge) on profit / (loss) on ordinary activities	8	858	(858)
Profit / (loss) for the financial year / period	15	11,220	(1,782)

The above results all relate to continuing operations

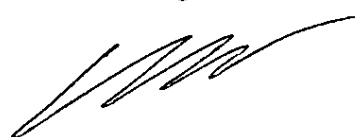
The company has no recognised gains and losses other than the profit for the year ended 31 August 2009 and the loss for the period ended 31 August 2008 and therefore no separate statement of total recognised gains and losses has been presented

!

UPP Group Limited
Balance sheet
as at 31 August 2009

		31 August 2009 £'000	31 August 2008 £'000
	Notes		
Fixed assets			
Investments	9	19,096	12,096
		19,096	12,096
Current assets			
Debtors amounts falling due within one year	10	7,367	18,679
Debtors amounts falling due after more than one year	11	71,314	74,720
Cash at bank and in hand	12	13,590	2,649
		92,271	96,048
Creditors amounts falling due within one year	13	(10,096)	(4,146)
Net current assets		82,175	91,902
Total assets less current liabilities		101,196	103,998
		101,271	103,998
Share capital and reserves			
Called up share capital	14	1	1
Share premium account	15	85,493	105,493
Capital reserve	15	439	286
Profit and loss account	15	15,338	(1,782)
		101,271	103,998

The financial statements were approved by the board on **9 FEBRUARY 2010**
and were signed on its behalf by



G S Behr
Director



J C W Benkel
Director

Registered number: 06218832

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

(c) Cash flow statement

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

(d) Investments

Investments are held at historic cost.

For investments in subsidiaries acquired for consideration including the issue of shares qualifying for merger relief, cost is measured by reference to the nominal value only of the shares issued. Any premium is ignored.

For investments in subsidiaries acquired for consideration including the issue of shares qualifying for group reconstruction relief, cost is measured by reference to the net asset value of the shares issued, and the premium is accounted for accordingly. Where the subsidiary acquired was in a net liability position at acquisition the investment is shown at the nominal value of the shares issued.

(e) Impairment reviews

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

(f) 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.

UPP Group Limited

Notes to the financial statements (continued)

for the year ended 31 August 2009

1. Principal accounting policies (continued)

(f) Taxation (continued)

(ii) Deferred tax (continued)

- 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 / period end. Where no policy is in place, current and deferred tax is measured before benefits which may arise from a formal group relief policy.

(g) Related party transactions

The company is a wholly owned subsidiary of UPP Group Holdings Limited and as such the company has taken advantage of the terms of FRS 8 not to disclose related party transactions which are eliminated on consolidation.

(h) 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.

2. Other operating income

Other operating income represents fees (net of VAT) charged to subsidiary undertakings for various services provided.

3. Directors' remuneration

The directors accrued £Nil (2008: £Nil) in respect of services performed in connection of the management of the affairs of this company.

4. Employee costs

During the year ended 31 August 2009 the company has no employees (2008: Nil). The company was recharged £959,000 by its subsidiary company, UPP Projects Limited, for services provided by employees of that company (2008: £Nil).

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

5. Auditors' remuneration

	Year ended 31 August 2009 £'000	Period ended 31 August 2008 £'000
Fees payable to the Company's auditor for the audit of the company's annual accounts	2	6
Fees payable to the Company's auditor and its associates for other services		
Audit of the company's subsidiaries	33	-
Tax services	-	6
	<u>35</u>	<u>12</u>

6. Interest receivable and similar income

	Year ended 31 August 2009 £'000	Period ended 31 August 2008 £'000
Interest on cash balances	335	16
Interest from loans to group companies	18	21
Interest received on treasury activities	-	414
Interest from secured subordinated loan notes	4,779	2,804
	<u>5,132</u>	<u>3,255</u>

7. Interest payable and similar charges

	Year ended 31 August 2009 £'000	Period ended 31 August 2008 £'000
Interest payable on loans from group companies	-	56
Unwinding of discounted loan notes	-	3,827
	<u>-</u>	<u>3,883</u>

On 31 August 2008, the company issued loan notes to Alma Mater Fund LP and Barclays European Infrastructure Fund LP, the consideration for which was the benefit at face value of accrued interest due on subordinated loan notes. The directors believe that £3,827,000 of this benefit was not recoverable and recognised the fair value of the loan notes in accordance with FRS 4. The difference between the amount due on the loan notes and the value at inception of £3,827,000 was taken to the profit & loss account as a finance cost in the period ended 31 August 2008.

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

8. Tax on profit / (loss) on ordinary activities

	Year ended 31 August 2009 £'000	Period ended 31 August 2008 £'000
a) Analysis of (credit) / charge for the year / period		
<i>Current tax</i>		
Current tax on income for the year / period (note 8b)	-	858
Adjustment to tax charge in respect of prior years	(858)	-
	<u>(858)</u>	<u>-</u>
<i>Deferred tax</i>		
Current year	-	-
Adjustments to tax charge in respect of previous years	-	-
Total deferred tax	<u>-</u>	<u>-</u>
Tax (credit)/charge on profit/(loss) on ordinary activities	<u>(858)</u>	<u>858</u>

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

The tax assessed for the year is lower (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	Period ended 31 August 2008 £'000
Profit / (loss) on ordinary activities before tax	<u>10,362</u>	<u>(924)</u>
Profit / (loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2008 28%)	2,901	(259)
<i>Effects of</i>		
Disallowable expenses	-	1,080
Non taxable income	(938)	-
Adjustment to tax charge in respect of prior years	(858)	-
Group relief claimed not paid for	(1,963)	-
Chargeable gain	-	3
Rate change	-	34
Current tax (credit) / charge for the year (note 8a)	<u>(858)</u>	<u>858</u>

9. Fixed asset investments

Company	Interest in subsidiary undertakings £'000
At 1 September 2008	12,096
Additions	7,000
At 31 August 2009	<u>19,096</u>

The additions in the year relate to cash paid to UPP Warehouse Limited for the direct investment in UPP (Oxford Brookes) Limited and UPP (Reading) Limited

UPP Group Limited

Notes to the financial statements (continued)

for the year ended 31 August 2009

9. Fixed asset investments (continued)

A list of the trading subsidiary undertakings is as below

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

The proportion of Voting rights held are in line with the proportion of shares held except at UPP (Nottingham) Limited where the company holds 85% of the voting rights

The results for the year ended 31 August 2009, and the capital & reserves as at 31 August 2009 for each of these subsidiary undertakings is -

	P&L for the year £'000	Capital & Reserves £'000
UPP (Alcuin) Limited	(938)	(992)
UPP (Lancaster) Holdings Limited	(2,711)	(12,895)
UPP (Nottingham) Limited	(2,309)	(8,560)
UPP (Broadgate Park) Holdings Limited	(2,126)	(17,505)
UPP (Plymouth Three) Limited	(1,454)	(3,576)
UPP (Kent Student Accommodation) Limited	(568)	(297)
UPP (Loughborough Student Accommodation) Holdings Limited	(362)	(346)
UPP (Oxford Brookes) Limited	(448)	23
UPP (Reading) Limited	(332)	(442)
UPP Leeds Metropolitan II Limited	(18)	(26)
UPP Loring Hall Limited	(138)	64
UPP Projects Limited	2,991	9,110
UPP Residential Services Limited	690	2,409

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

10. Debtors: amounts falling due within one year

	31 August 2009 £'000	31 August 2008 £'000
Amounts owed by ultimate parent companies	-	4,709
Sundry debtors and accrued income	282	431
Loans to group undertakings	-	1,060
VAT recoverable	-	11
Amounts due from group undertakings	<u>7,085</u>	<u>12,468</u>
	<u>7,367</u>	<u>18,679</u>

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

	31 August 2009 £'000	31 August 2008 £'000
Secured subordinated loan notes	71,314	73,927
Amounts due from group undertakings	-	793
	<u>71,314</u>	<u>74,720</u>

Secured subordinated loan notes

The subordinated loan note funding is provided to a number of the subsidiary undertakings. An amount of £2,506,000 still remains to be subscribed for and should be so on 31 August 2011.

The loan notes are secured under a number of subordinated debenture deeds. The loan notes are subject to the same security as the senior debt facilities of the relevant subsidiary undertaking but are subordinated to the right of payment of the senior debt providers.

The weighted average interest rate is 13.03% per annum for a weighted average period of 38 years. The final repayment dates on the subordinated loan notes range from August 2038 and August 2058.

12. Cash

Included within cash is an amount that is held on interest bearing deposit by the company on behalf of two of its subsidiary undertakings, UPP Projects Limited and UPP Residential Services Limited. These amounts can be called upon on demand. The amount held on behalf of the subsidiary undertakings as at 31 August 2009 is £5,352,000 (2008: £Nil).

Also included within the cash balance is an amount of £2,528,000 (2008: £2,520,000) held in advance of the issue of loan notes to UPP (Plymouth Three) Limited on 31 August 2011. This cash is secured by way of a fixed charge to the senior debt provider of that company.

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

13. Creditors: amounts falling due within one year

	31 August 2009 £'000	31 August 2008 £'000
Trade creditors	18	7
Loans from group undertakings	2,431	2,918
Amounts owed to group undertakings	7,101	269
Corporation tax payable	-	858
Other taxes and social security	242	-
Accruals and deferred income	304	94
	10,096	4,146

14. Called up share capital

	31 August 2009 £	31 August 2008 £
Authorised		
20,000,000 Ordinary shares of 0.01p each	2,000	2,000
Allotted, called up and fully paid		
10,000,021 Ordinary shares of 0.01p each	1,000	1,000

15. Reconciliation of shareholders' funds and movement on reserves

	Share capital £'000	Share premium account £'000	Profit & loss account £'000	Capital reserve £'000	Total shareholders' funds £'000
At 1 September 2008	1	105,493	(1,782)	286	103,998
Capital reduction	-	(20,000)	20,000	-	-
Capital contribution	-	-	-	153	153
Dividend paid in year	-	-	(14,100)	-	(14,100)
Profit for the year	-	-	11,220	-	11,220
At 31 August 2009	1	85,493	15,338	439	101,271

On 8 December 2008 the company reduced its share premium account by £20,000,000 and this amount was transferred to profit & loss reserves

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.

UPP Group Limited

Notes to the financial statements (continued)

for the year ended 31 August 2009



16. Parent undertaking and controlling party

The company's immediate parent undertaking is UPP Group Holdings Limited

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

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

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

17. Related party transactions

The company is a wholly owned subsidiary of UPP Group Holdings Limited and as such the company has taken advantage of the terms of FRS 8 not to disclose related party transactions which are eliminated on consolidation

During the year ended 31 August 2008, the company recharged costs of £520,000 to its ultimate parent company Alma Mater. As at 31 August 2008 an amount of £63,000 remained outstanding and was included in debtors falling due within one year. No amounts remain outstanding as at 31 August 2009

18. Post balance sheet events

On 6 November 2009, a wholly owned subsidiary, UPP (Broadgate Park) Holdings Limited redeemed its current subordinated secured loan notes owed to the company and entered into a new facility with an additional subscription of £3,313,000