

UPP GROUP LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016**

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COMPANIES HOUSE

UPP GROUP LIMITED

COMPANY INFORMATION

Directors	S O'Shea J Benkel J Wakeford S Bailey Watts P Marshall P Bowe M Eady P Milner A Percival K Stafford R Bienfait
Company secretary	J Benkel
Registered number	06218832
Registered office	40 Gracechurch Street London EC3V 0BT
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor Grant Thornton House Melton Street Euston Square London NW1 2EP

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**STRATEGIC REPORT
FOR THE YEAR ENDED 31 AUGUST 2016**

Introduction

The directors present their report and financial statements for the year ended 31 August 2016.

Principal activity and business review

The Company's principal activities are 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 Partnerships Programme ('UPP').

The profit for the year attributable to shareholders and reported in the financial statements is £10,760k (2015: £4,902k).

On 31 August 2016 the Company issued 2 £0.01p 'A' ordinary shares at a premium of £77,241,000. On the same day, the proceeds from the share issue were used to settle loan notes payable to Student UK Acqco Limited of £54,568,079 together with the accumulated interest of £22,673,421.

At the operations at UPP (Exeter) Limited a latent defect in the newly built accommodation was identified relating to the external panel detailing around the buildings. This latent defect does not affect the operation of the accommodation which continues to be fully occupied at modelled rents. UPP (Exeter) Limited, along with its advisors, have been working with the contractor which built the accommodation to develop a programme of rectification works. It is the intention of UPP (Exeter) Limited to ensure that its rights under the original construction contract are robustly applied. These place liability for latent defects firmly with the Contractor. The company has engaged with the University of Exeter who are supportive of the proposed approach.

The company will continue to progress its strategy for growth through its subsidiary companies UPP Projects Limited and UPP Residential Services Limited. UPP Residential Services Limited will focus on growing its operational returns and generate fees from developing its Asset Management business.

UPP Projects Limited will continue to focus on identifying opportunities to generate development fee income as a result of its bidding, transaction and development activities. During the year UPP Projects Limited secured preferred bidder status on two university transactions which are due to complete in the following financial year. The Board are also pleased to report a further deal was closed in December 2016.

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. The directors anticipate that the future level of activity will be in accordance with their expectations and consider that the projects will yield returns in line with current forecasts.

Toward the end of the financial year, the impact of the referendum decision to leave the European Union (EU) has also been the focus of much attention across the Higher Education (HE) sector. Following the result, the Government has committed to continue current funding arrangements for EU students until the completion of the Article 50 negotiations. At this stage it is unlikely that there will be any significant impact on demand from what is a relatively small proportion of the overall student population (i.e. circa 5%), however, the Board remain cognisant of the attendant risks relating to this process and will continue to actively manage these where they arise.

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

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.

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2016**

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 Company does not trade in financial instruments or derivatives.

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

Interest rate risk

The Company finances its operations through a mixture of retained profits, intra group borrowings, parent company loans and an overdraft facility. Interest on the intra group borrowings and parent company loans is at fixed commercial rates. Interest on the overdraft facility is at a base rate plus a margin. This overdraft is in place to aid short term cash management and it is renewable annually.

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.

Financial key performance indicators

The profit for the year attributable to shareholders and reported in the financial statements is £10,760k (2015: £4,902k).

Transition to FRS 102

This is the first year the company has presented its results under FRS 102. The last financial statements under UK GAAP were for the year ended 31 August 2015. The date of transition to FRS 102 was 1 September 2014.

The key impact on the financial statements was the change in the measurement basis for financial assets and liabilities from historic cost under UK GAAP to amortised cost using the effective interest method.

This report was approved by the board on 10 March 2017 and signed on its behalf.



R Bienfait
Director

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 AUGUST 2016**

The directors present their report and the financial statements for the year ended 31 August 2016.

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Financial risk management objectives and policies

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

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.

Results and dividends

The profit for the year, after taxation, amounted to £10,760k (2015 - £4,902k).

The directors did not declare any dividends for the year (2015 - £nil).

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2016**

Directors

The directors who served during the year were:

S O'Shea
J Benkel
J Wakeford
S Bailey Watts
P Marshall
P Bowe (appointed 1 January 2016)
M Eady (appointed 22 February 2016)
P Milner (appointed 19 October 2015)
A Percival (appointed 4 July 2016)
K Stafford (appointed 4 February 2016)

The following director was appointed after the year end:
R Bienfait (appointed 11 October 2016)

With effect from 12 September 2012 four (2015: five) of the company's directors held a beneficial interest in the 'B' ordinary shares of the company. At 31 August 2016, other than the interest noted above, none of the directors had any beneficial interests in the shares of the company or in any of the group companies.

The directors are protected by Directors and Officers Liability Insurance provided by the Company.

Disclosure of information to auditor

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

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.


Post balance sheet events

On 21 December 2016 the Company subscribed for 889,478 £1 ordinary shares at par and £14,721,000 of secured loan notes in a new subsidiary undertaking, UPP (Duncan House) Holdings Limited, representing 85% of the total share capital and the total loan notes respectively issued by that company.

Auditor

Under section 487(2) of the Companies Act 2006, Grant Thornton UK LLP will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

This report was approved by the board on 10 March 2017 and signed on its behalf.



R Bienfait
Director

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF UPP GROUP LIMITED

We have audited the financial statements of UPP Group Limited for the year ended 31 August 2016, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is the Companies Act 2006 and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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 on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 August 2016 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 Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with those financial statements.

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



Simon Bevan (Senior Statutory Auditor)

for and on behalf of
Grant Thornton UK LLP

Chartered Accountants
Statutory Auditor

Grant Thornton House
Melton Street
Euston Square
London
NW1 2EP

10 March 2017

UPP GROUP LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 AUGUST 2016**

	Note	2016 £000	2015 £000
Administrative expenses		(5,420)	(4,966)
Exceptional administrative expenses	11	(498)	-
Other operating income	4	873	122
Operating loss	5	(5,045)	(4,844)
Income from shares in group undertakings		3,548	-
Interest receivable and similar income	8	30,698	27,088
Interest payable and expenses	9	(18,381)	(17,426)
Profit on ordinary activities before tax		10,820	4,818
Tax charge / (credit) on ordinary activities		(60)	84
Profit for the year		10,760	4,902

There was no other comprehensive income for 2016 (2015:£000NIL).

The notes on pages 11 to 37 form part of these financial statements.

UPP GROUP LIMITED
REGISTERED NUMBER: 06218832

BALANCE SHEET
AS AT 31 AUGUST 2016

	Note	2016 £000	2016 £000	2015 £000	2015 £000
Fixed assets					
Intangible assets	12		204		-
Tangible assets	13		347		424
Investments	14		67,727		66,458
			<u>68,278</u>		<u>66,882</u>
Current assets					
Debtors: amounts falling due after more than one year	15	305,574		294,155	
Debtors: amounts falling due within one year	15	5,063		757	
Cash at bank and in hand	16	20,257		5,353	
		<u>330,894</u>		<u>300,265</u>	
Creditors: amounts falling due within one year	17	(39,512)		(36,794)	
Net current assets			<u>291,382</u>		<u>263,471</u>
Total assets less current liabilities			<u>359,660</u>		<u>330,353</u>
Creditors: amounts falling due after more than one year	18		(145,270)		(204,130)
Provisions for liabilities					
Other provisions	22	(93)		(77)	
			<u>(93)</u>		<u>(77)</u>
Net assets			<u><u>214,297</u></u>		<u><u>126,146</u></u>
Capital and reserves					
Called up share capital	23		1		1
Share premium account	24		181,930		104,688
Other reserves	24		7,855		7,706
Profit and loss account	24		24,511		13,751
			<u>214,297</u>		<u>126,146</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 10 March 2017.

R Benfait

Director

J Benkel

Director

UPP GROUP LIMITED
REGISTERED NUMBER: 06218832

BALANCE SHEET (CONTINUED)
AS AT 31 AUGUST 2016

The notes on pages 11 to 37 form part of these financial statements.

UPP GROUP LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 AUGUST 2016**

	Called up share capital £000	Share premium account £000	Other reserves £000	Profit and loss account £000	Total equity £000
At 1 September 2015	1	104,688	7,706	13,751	126,146
Profit for the year	-	-	-	10,760	10,760
Total comprehensive income for the year	-	-	-	10,760	10,760
Shares issued during the year	-	77,242	-	-	77,242
Capital contribution	-	-	149	-	149
At 31 August 2016	1	181,930	7,855	24,511	214,297

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 AUGUST 2015**

	Called up share capital £000	Share premium account £000	Other reserves £000	Profit and loss account £000	Total equity £000
At 1 September 2014	1	104,688	7,551	8,849	121,089
Profit for the year	-	-	-	4,902	4,902
Total comprehensive income for the year	-	-	-	4,902	4,902
Capital contribution	-	-	155	-	155
At 31 August 2015	1	104,688	7,706	13,751	126,146

The notes on pages 11 to 37 form part of these financial statements.

UPP GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2016

1. General information

UPP Group Limited is a private limited company incorporated and domiciled in England, with a company number 06218832. The registered office is 40 Gracechurch Street, London, EC3V 0BT.

2. Accounting policies

2.1 Basis of preparation of financial statements

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

Information on the impact of first-time adoption of FRS 102 is given in note 28.

The company's functional and presentation currency is the pound sterling, rounded to the nearest thousand.

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

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of UPP Group Holdings Limited as at 31 August 2016 and these financial statements may be obtained from Companies House, Cardiff CF14 3UZ, once they have been filed.

2.3 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016

2. Accounting policies (continued)

2.4 Intangible fixed assets

Computer software is stated at cost less accumulated amortisation and accumulated impairment losses. Software is amortised over its estimated useful life, of between three and five years, on a straight line basis.

Where factors, such as technological advancement or changes in market price, indicate that residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances.

The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

2.5 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

2.6 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016**

2. Accounting policies (continued)

2.6 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful lives range as follows:

Long-term leasehold property	- 10 years
Office equipment	- 10 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Profit and Loss account.

Capitalised art work is included within the leasehold improvements but is not depreciated.

2.7 Investments

Investments in subsidiaries are measured at cost less accumulated impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid.

2.8 Debtors

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

2.9 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016**

2. Accounting policies (continued)

2.10 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable and loans to and from related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Profit and Loss Account.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

2.11 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.12 Finance costs

Finance costs are charged to the Profit and Loss Account over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016

2. Accounting policies (continued)

2.13 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

The Company has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard 01 September 2014 to continue to be charged over the period to the first market rent review rather than the term of the lease.

2.14 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Profit and Loss Account, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Company can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.15 Long term incentive scheme

The company operates a long-term incentive scheme for certain employees. 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 ten years. In certain circumstances a specific event can also trigger an earlier payment. Where the contractual cash flows under the scheme are material, the obligation is included as a financial liability representing the fair value of the future contractual obligations. These contractual cash flows are reconsidered annually.

2.16 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016**

2. Accounting policies (continued)

2.17 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 102.33.1A not to disclose related party transactions which are eliminated on consolidation.

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

Impairment of non-financial assets

Where there are indicators of impairment of individual assets, the Company performs impairment tests based on fair value less costs to sell or a value in use calculation. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction on similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash flows and the growth rate used for extrapolation purposes.

Impairment of financial assets

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

4. Other operating income

	2016	2015
	£000	£000
Other operating income	93	39
Fees receivable	780	83
	873	122

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

All income arose within the United Kingdom.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016**

5. Operating loss

The operating loss is stated after charging:

	2016	2015
	£000	£000
Depreciation of tangible fixed assets	76	72
Amortisation of intangible assets	7	-
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	53	67
Other operating lease rentals	505	419
	<u>535</u>	<u>558</u>

During the year, no director received any emoluments (2015 - £NIL).

6. Auditor's remuneration

	2016	2015
	£000	£000
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts	2	2
	<u>2</u>	<u>2</u>

Fees payable to the Company's auditor and its associates in respect of:

The auditing of accounts of associates of the Company pursuant to legislation	41	43
Tax compliance services	7	12
Other non audit services	3	10
	<u>51</u>	<u>65</u>

UPP GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016**

7. Employees

All the employees noted below are paid through its subsidiary undertakings and the company was recharged an amount of £1,481k (2015: £1,189k) by its subsidiary, UPP Projects Limited, for services provided by these employees.

Key management personnel

All directors and certain senior employees who have authority and responsibility for planning, directing and controlling the activities of the Group are considered to be key management personnel. Total remuneration in respect of these individuals is £1,242k (2015: £1,469k).

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

	2016	2015
	No.	No.
Administration	17	13

8. Interest receivable and similar income

	2016	2015
	£000	£000
Interest from subordinated loan notes	30,362	26,740
Interest on cash balances	336	348
	30,698	27,088

9. Interest payable and similar charges

	2016	2015
	£000	£000
Interest on loan from parent company	18,381	17,426
	18,381	17,426

Interest on loan to parent company is payable to Student UK AcqCo Limited.

UPP GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016**

10. Taxation

	2016 £000	2015 £000
Total current tax	<u>-</u>	<u>-</u>
Deferred tax		
Current year - profit and loss	26	(86)
Changes to tax rates	3	2
Adjustment in respect of prior years	31	-
Total deferred tax	<u>60</u>	<u>(84)</u>
Taxation on profit/(loss) on ordinary activities	<u>60</u>	<u>(84)</u>

UPP GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016**

10. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2015 - *lower than*) the standard rate of corporation tax in the UK of 20% (2015 - 21%). The differences are explained below:

	2016 £000	2015 £000
Profit on ordinary activities before tax	10,820	4,818
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 21%)	2,164	1,012
Effects of:		
Expenses not deductible for tax purposes	735	524
Group relief claimed	(776)	(662)
Rate change	3	2
Adjustments to tax charge in respect of prior periods	30	-
Non-taxable income	(2,096)	(887)
Tax losses extinguished on change of ownership	-	(73)
Total tax charge for the year	60	(84)

Factors that may affect future tax charges

The deferred tax has been recognised at a rate of 18% which was substantively enacted in Finance Bill 2015.

There will be a reduction in corporation tax rate from the current 20% rate to 19% from 1 April 2017 and then to 18% from 1 April 2020.

UPP GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016**

11. Exceptional items

	2016	2015
	£000	£000
Legal and professional fees	498	-
	<hr/>	<hr/>
	498	-
	<hr/>	<hr/>

During the year the Company incurred legal and professional fees in relation to the ongoing rectification works at the operations of UPP (Exeter) Limited.

At the operations at UPP (Exeter) Limited a latent defect in the newly built accommodation was identified relating to the external panel detailing around the buildings. This latent defect does not affect the operation of the accommodation which continues to be fully occupied at modelled rents. UPP (Exeter) Limited, along with its advisors, have been working with the contractor which built the accommodation to develop a programme of rectification works. It is the intention of UPP (Exeter) Limited to ensure that its rights under the original construction contract are robustly applied. These place liability for latent defects firmly with the contractor. The company has engaged with the University of Exeter who are supportive of the proposed approach.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016

12. Intangible assets

	Computer software £000
Cost	
Additions	211
At 31 August 2016	211
Amortisation	
Charge for the year	7
At 31 August 2016	7
Net book value	
At 31 August 2016	204
At 31 August 2015	-

Amortisation of intangible fixed assets is included in administrative expenses.

The additions in the year relate to purchased as well as internally generated computer software. The computer software is being amortised evenly over its useful life of 5 years.

UPP GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016**

13. Tangible fixed assets

	Leasehold improvements £000	Fixtures and fittings £000	Total £000
Cost or valuation			
At 1 September 2015	561	193	754
At 31 August 2016	<u>561</u>	<u>193</u>	<u>754</u>
Depreciation			
At 1 September 2015	239	91	330
Charge for the period	56	20	76
At 31 August 2016	<u>295</u>	<u>111</u>	<u>406</u>
Net book value			
At 31 August 2016	<u><u>266</u></u>	<u><u>82</u></u>	<u><u>348</u></u>
At 31 August 2015	<u><u>322</u></u>	<u><u>102</u></u>	<u><u>424</u></u>

UPP GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016**

14. Fixed asset investments

	Investments in subsidiary companies £000
Cost or valuation	
At 1 September 2015	66,458
Additions	1,269
	<hr/>
At 31 August 2016	67,727
	<hr/>
Net book value	
At 31 August 2016	67,727
	<hr/> <hr/>
At 31 August 2015	66,458
	<hr/> <hr/>

The additions above reflect capital investment in UPP (Oxford Brookes) Limited for £963k and UPP (Plymouth Three) Limited for £306k.

Subsidiary undertakings

The following were subsidiary undertakings of the Company that were trading at the balance sheet date:

Name	Country of incorporation	Class of shares	Holding	Principal activity
UPP (Alcuin) Limited	England	Ordinary	100 %	Provision of student accommodation
UPP (Lancaster) Holdings Limited	England	Ordinary	100 %	Provision of student accommodation
UPP (Nottingham) Limited	England	Ordinary	100 %	Provision of student accommodation
UPP (Broadgate Park) Holdings Limited	England	Ordinary	100 %	Provision of student accommodation
UPP (Plymouth Three) Limited	England	Ordinary	100 %	Provision of student accommodation
UPP (Kent Student Accommodation) Limited	England	Ordinary	100 %	Provision of student accommodation
UPP (Loughborough Student Accommodation) Holdings Limited	England	Ordinary	100 %	Provision of student accommodation
UPP (Oxford Brookes) Limited	England	Ordinary	100 %	Provision of student accommodation

UPP GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016**

14. Fixed asset investments (continued)

UPP Leeds Student Residences Limited	England	Ordinary	100 %	Provision of student accommodation
UPP Loring Hall Limited	England	Ordinary	100 %	Provision of student accommodation
UPP (Kent Student Accommodation II) Holdings Limited	England	Ordinary	100 %	Provision of student accommodation
UPP (Exeter) Holdings Limited	England	Ordinary	100 %	Provision of student accommodation
UPP (Clifton) Holdings Limited	England	Ordinary	80 %	Provision of student accommodation
UPP (Byron House) Holdings Limited	England	Ordinary	80 %	Provision of student accommodation
UPP (Reading I) Holdings Limited	England	Ordinary	24 %	Provision of student accommodation
UPP (Kent Turing) Holdings Limited	England	Ordinary	100 %	Provision of student accommodation
UPP (Cartwright Gardens) Holdings Limited	England	Ordinary	85 %	Provision of student accommodation
UPP (MidCo) Limited	England	Ordinary	100 %	Investment company, holding 56% of shares in UPP (Reading 1) Holdings Limited
UPP Bond 1 Issuer plc	England	Ordinary	100 %	Provision of long term funding to six subsidiary undertakings
UPP Projects Limited	England	Ordinary	100 %	Develop partnerships for the provision of student accommodation
UPP Residential Services Limited	England	Ordinary	100 %	Provision of facility management services

The aggregate of the share capital and reserves as at 31 August 2016 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

	Aggregate of share capital and reserves £000	Profit/(loss) £000
UPP (Alcuin) Limited	3,652	(179)
UPP (Lancaster) Holdings Limited	(67,227)	(1,316)
UPP (Nottingham) Limited	(42,923)	(2,824)
UPP (Broadgate Park) Holdings Limited	(32,344)	(2,223)
UPP (Plymouth Three) Limited	(11,934)	(829)
UPP (Kent Student Accommodation) Limited	(7,715)	(62)
UPP (Loughborough Student Accommodation) Holdings Limited	(24,020)	(156)
UPP (Oxford Brookes) Limited	(9,167)	(524)

UPP GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016**

14. Fixed asset investments (continued)

UPP Leeds Student Residences Limited	(17,527)	(426)
UPP Loring Hall Limited	293	(52)
UPP (Kent Student Accommodation II) Holdings Limited	2,152	568
UPP (Exeter) Holdings Limited	(26,729)	1,715
UPP (Clifton) Holdings Limited	(7,659)	(520)
UPP (Byron House) Holdings Limited	(13,756)	(5,924)
UPP (Reading I) Holdings Limited	44,996	(3,051)
UPP (Kent Turing) Holdings Limited	2,951	1,516
UPP (Cartwright Gardens) Holdings Limited	1,407	-
UPP (MidCo) Limited	1,234	-
UPP Bond 1 Issuer plc	6,219	(99)
UPP Projects Limited	(4,849)	(5,664)
UPP Residential Services Limited	11,078	3,455
	<hr/> (191,868) <hr/>	<hr/> (16,595) <hr/>

UPP GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016**

15. Debtors

	2016	2015
	£000	£000
Due after more than one year		
Unsecured subordinated loan notes	176,130	161,304
Secured subordinated loan notes	129,417	132,764
Deferred tax asset	27	87
	<u>305,574</u>	<u>294,155</u>

	2016	2015
	£000	£000
Due within one year		
Amounts owed by group undertakings	4,653	460
Other debtors	70	81
Prepayments and accrued income	340	216
	<u>5,063</u>	<u>757</u>

UPP GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016**

15. Debtors (continued)

The amounts owed by group undertakings are interest free and repayable on demand.

The loan note funding is provided to a number of the subsidiary undertakings.

Secured subordinated loan notes

On 14 October 2013 the Company subscribed for £9,561,000 of secured loan notes in a new subsidiary undertaking, UPP (Kent Turing) Holdings Limited.

On 4 July 2014 the Company subscribed for £21,656,000 of secured loan notes in a new subsidiary undertaking, UPP (Cartwright Gardens) Holdings Limited, representing 85% of the total loan notes issued by that company.

On 21 December 2016 the Company subscribed for £14,721,000 of secured loan notes in a new subsidiary undertaking, UPP (Duncan House) Holdings Limited, representing 85% of the total loan notes issued by that company.

Unsecured subordinated loan notes

On 9 December 2014 the Company subscribed for unsecured loan notes, totaling £17,406,000, in UPP Bond 1 Holdings Limited. This amount was ultimately lent to UPP (Exeter) Limited to enable that company to fund the cost of repaying its short term banking facilities and associated costs. On the same day the Company provided £3,901,000 of additional subordinated debt funding.

On 5 March 2013 the Company subscribed for unsecured loan notes, totaling £125,361,000 in UPP Bond 1 Holdings Limited. This amount was ultimately lent to six of the company's subsidiary undertakings to enable those companies to fund the cost of repaying their short term banking facilities and associated costs.

The weighted average interest rate and average period and final repayment dates on the loan notes are as below:

	Coupon rate	Period	Repayment dates
Secured subordinated loan notes	12.38%	44 years	August 44 – August 68
Unsecured loan notes	13.50%	42 years	August 56

16. Cash and cash equivalents

	2016 £000	2015 £000
Cash at bank and in hand	20,257	5,353
	<u>20,257</u>	<u>5,353</u>

UPP GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016**

17. Creditors: Amounts falling due within one year

	2016	2015
	£000	£000
Trade creditors	500	234
Amounts owed to group undertakings	36,031	35,285
Accruals and deferred income	2,981	1,275
	39,512	36,794

The amounts owed to group undertakings comprise of £1,808k (2015: £1,808k) provided by Student UK TopCo Limited, the ultimate parent company, in January 2013; £32,210k (2015: £32,210k) provided by UPP Group Holdings Limited, the immediate parent undertaking and various other amounts for a total of £2,013k (2015: 1,267k) provided by subsidiary undertakings.

All of the above amounts owed to group undertakings noted above are interest free and repayable on demand.

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

	2016	2015
	£000	£000
Amounts owed to group undertakings	145,270	204,130
	145,270	204,130

UPP GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016**

19. Loans

The loan from parent company was provided by Student UK Acqco Limited on 12 September 2012 and the proceeds were used to repay the loan provided by PGGM Vermogensbeheer BV ('PGGM') during the prior year. This loan bears coupon interest at 12.5% and is repayable in December 2022. The effective interest rate is 8.57%.

On 5 March 2013 the Company entered into another loan with Student UK Acqco Limited to partly fund the subscription of the unsecured loan notes issued by UPP Bond 1 Holdings Limited. This new loan bears interest at coupon rate of 12.75% and is also repayable in March 2023.

On 4 July 2014 the Company entered into another loan with Student UK Acqco Limited to partly fund the subscription of the secured loan notes issued by UPP (Cartwright Gardens) Holdings Limited. This new loan bears interest at coupon rate of 12.75% and is repayable in July 2024.

On 31 August 2016 the Company issued 2 £0.01p 'A' ordinary shares at a premium of £77,242k. On the same day, the proceeds from the share issue were used to settle in full the above loan notes issued on 12 September 2012 and 4 July 2014 for a total of £54,568k together with the accumulated interest of £22,673k.

Analysis of the maturity of loans is given below:

	2016	2015
	£000	£000
Amounts falling due after 5 years		
Due to parent company > 5 yrs (debt)	145,270	204,130
	145,270	204,130

UPP GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016**

20. Financial instruments

	2016 £000	2015 £000
Financial assets		
Financial assets measured at amortised cost	330,457	299,881
	<u>330,457</u>	<u>299,881</u>
Financial liabilities		
Financial liabilities measured at amortised cost	(181,801)	(239,649)
	<u>(181,801)</u>	<u>(239,649)</u>

Financial assets measured at amortised cost comprise cash, subordinated loan notes and amounts owed by group undertakings.

Financial liabilities measured at amortised cost comprise trade creditors and amounts owed to group undertakings.

21. Deferred taxation

	2016 £000	2015 £000
At beginning of year	87	3
Charged to the profit and loss	(60)	84
At end of year	<u>27</u>	<u>87</u>

The deferred tax asset is made up as follows:

	2016 £000	2015 £000
Accelerated capital allowances	10	1
Tax losses	-	70
Other timing differences	17	16
	<u>27</u>	<u>87</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016

22 Provisions

	Dilapidation £000
At 1 September 2015	77
Charged to the profit or loss	16
At 31 August 2016	93

The dilapidation 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.

23. Share capital

	2016 £000	2015 £000
Shares classified as equity		
Authorised		
21,100,000 'A' Ordinary shares shares of £0.0001 each	2	2
25,000 'B' Ordinary shares shares of £0.01 each	-	-
	<u>2</u>	<u>2</u>
Allotted, called up and fully paid		
11,040,160 (2015 - 11,040,158) 'A' Ordinary shares shares of £0.0001 each	1	1
25,000 'B' Ordinary shares shares of £0.01 each	-	-
	<u>1</u>	<u>1</u>

On 31 August 2016 the Company issued 2 0.01p 'A' ordinary shares.

The 'B' Ordinary shares carry no voting or dividend rights.

UPP GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016**

24. Reserves**Share premium**

This reserve records the amount above the nominal value received for shares issued, less transaction costs.

Other reserves

Other reserves record capital contributions related to benefits assigned by The Alma Mater Fund LP who retain the risks associated with the benefits. During 2016 an amount of £149k (2015: £155k) non refundable cash capital contribution was received and recorded in other reserves.

Profit and loss account

This reserve comprises of current year and prior years' profits or losses less any distributions made to the Company's shareholders.

25. Commitments under operating leases

At 31 August 2016 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2016	2015
	£000	£000
Not later than 1 year	486	534
Later than 1 year and not later than 5 years	1,578	2,003
Later than 5 years	-	134
	2,064	2,671

The Company renewed the lease novated from UPP Group Holdings Limited in November 2011 for a further five year period to November 2020. The commitment above represents the minimum amount payable under this lease.

UPP GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2016

26. 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 disclosure exemption requirement of FRS 102 Section 33 Related Party Disclosures paragraph 33.7 not to disclose related party transactions which are eliminated on consolidation.

During the year four of the Company's subsidiary undertakings, UPP (Clifton) Holdings Limited, UPP (Byron House) Holdings Limited, UPP (Reading 1) Holdings Limited and UPP (Cartwright Gardens) Limited were not 100% owned by the Company and therefore this exemption does not apply.

During the year the Company received interest on secured subordinated loan notes from the related companies noted above as follows:

	2016 £000	2015 £000
UPP (Byron House) Holdings Limited	1,003	1,018
UPP (Clifton) Holdings Limited	479	468
UPP (Reading 1) Holdings Limited	1,448	1,381
UPP (Cartwright Gardens) Holdings Limited	2,304	2,118
	5,234	4,985

At the balance sheet date, £25,676k (2015: £23,371k) subordinated loan notes were receivable from UPP (Cartwright Gardens) Limited; £8,577k (2015: £8,577k) subordinated loan notes were receivable from UPP (Byron House) Holdings Limited; £4,851k (2015: £4,702k) subordinated loan notes were receivable from UPP (Clifton) Holdings Limited and £15,305k (2015: £14,678k) subordinated loan notes were receivable from UPP (Reading 1) Holdings Limited. All of the amounts are included within debtors due after more than one year.

UPP Group Holdings Limited is a wholly owned subsidiary of Student UK AcqCo Limited, which itself is a wholly owned subsidiary of Student UK TopCo Limited. Both of these entities are registered in the Channel Islands and consolidated accounts are not required to be filed for these entities. The directors consider these companies to be related parties and are required to disclose related party transactions accordingly.

On 31 August 2016 UPP Group Limited, a group undertaking, issued 2 £0.01p 'A' ordinary shares at a premium of £77,242,000. On the same day, the proceeds from the share issue were used to settle loan notes payable to Student UK AcqCo Limited of £54,568,079 together with the accumulated interest of £22,673,421. As a result as at 31 August 2016, the total loans payable to that company were reduced to £109,018,000 (2015: £163,586,000) and interest payable on these loans as at the balance sheet date was £36,252,000 (2015: £50,400,000). Of the total amount payable under amortised cost £12,443,000 (2015: £11,492,000) is disclosed within amounts payable within 1 year.

In January 2013 the Company entered into an interest free loan with Student UK TopCo Limited totaling £1,808,000. This loan is repayable on demand and at the balance sheet date is included within creditors due within one year.

UPP GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016**

27. Controlling party

The Company's immediate parent undertaking is UPP Group Holdings Limited.

UPP Group Holdings Limited is ultimately controlled by a 60% stake held by PGGM Vermogensbeheer BV ("PGGM") on behalf of its pension fund clients. PGGM is incorporated in The Netherlands.

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

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 CF14 3UZ, once they have been filed.

UPP GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016**

28. First time adoption of FRS 102

The Company transitioned to FRS 102 from previously extant UK GAAP as at 1 September 2014. The impact of the transition to FRS 102 is as follows:

Reconciliation of equity at 1 September 2014

	Note	£000
Equity at 1 September 2014 under previous UK GAAP		121,473
Subordinated loan notes receivable at amortised cost	1	(5,717)
Loan from parent company payable at amortised cost	1	6,510
Subordinated loan notes receivable at fair value	2	(1,177)
Equity shareholders' funds at 1 September 2014 under FRS 102		121,089

Reconciliation of equity at 31 August 2015

	Note	£000
Equity at 31 August 2015 under previous UK GAAP		125,994
Subordinated loan notes receivable at amortised cost	1	(8,544)
Loan from parent company payable at amortised cost	1	9,856
Subordinated loan notes receivable at fair value	2	(1,160)
Equity shareholders' funds at 31 August 2015 under FRS 102		126,146

Reconciliation of profit and loss account for the year ended 31 August 2015

		£000
Profit for the year under previous UK GAAP		4,366
Subordinated loan notes receivable at amortised cost	1	(2,827)
Loan from parent company payable at amortised cost	1	3,345
Subordinated loan notes receivable at fair value	2	18
Profit for the year ended 31 August 2015 under FRS 102		4,902

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016

28. First time adoption of FRS 102 (continued)

The following were changes in accounting policies arising from the transition to FRS 102:

1 Amortised cost for financial assets and liabilities

Under FRS 102, basic financial instruments are measured at amortised cost using the effective interest method, with interest expense recognised on the basis of the effective interest method. Under the previous UK GAAP, the Company had a policy of amortising its long term debt instruments using a 'constant' rate method which resulted in different carrying values for the debt instruments. Consequently, on adoption of FRS 102, the following adjustments were made to the carrying values of the Company's long term debt instruments as at 1 September 2014:

•Subordinated loan notes receivable - a decrease of the financial assets by £5,717k on 1 September 2014, with a further decrease of £2,827k recognised during the year ended August 2015.

•Unsecured loan notes payable - a decrease of the financial liability by £6,510k on 1 September 2014 with a further decrease of £3,345k recognised during the ended 31 August 2015.

2 Recognition of financial assets at fair value

Under previous UK GAAP, financial instruments issued at non-commercial rates are recorded at transaction price. FRS 102 requires all financial instruments to be recorded initially at fair value less costs of issue, if not designated at fair value through profit and loss. As a result, the subordinated loan note receivable with nominal value of £1,361k from UPP Warehouse Limited, one of the subsidiary undertakings of the Company, was impaired at inception by £1,257k, which was recorded by the Company as an investment in the subsidiary undertaking which was subsequently impaired as it was considered irrecoverable. The impaired subordinated loan notes were incurring imputed interest, with a cumulative impact on transition as at 1 September 2014 of £80k and a further increase of £18k during the year ended August 2015.

29. Transitional relief

On transition to FRS 102 from previous UK GAAP, the Company has taken advantage of transitional relief as follows:

Investments in subsidiaries

The Company has elected to treat the carrying amount of investments in subsidiaries under previous UK GAAP at the date of transition as deemed cost on transition to FRS 102.

Lease incentives

The Company has not applied paragraphs 20.15A or 20.25A to lease incentives where the lease commenced before the date of transition to FRS 102. It has continued to recognise any residual benefit or cost associated with these lease incentives on the same basis that applied prior to the transition to FRS 102.