Registered number: 06218832

UPP GROUP LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2018

COMPANY INFORMATION

Directors	J Benkel R Bienfait M Eady P Marshall P Milner S O'Shea A Percival K Stafford M Swindlehurst J Wakeford
Company secretary	J Benkel
Registered number	06218832
Registered office	40 Gracechurch Street London EC3V 0BT
Independent auditor	Grant Thornton UK LLP Chartered Accountants and Statutory Auditor 30 Finsbury Square London EC2P 2YU

CONTENTS

STRATEGIC REPORT
FOR THE YEAR ENDED 31 AUGUST 2018

Introduction

The directors present their report and financial statements for the year ended 31 August 2018.

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 financial year ended 31 August 2018 has seen the Company continue to pursue its well established, strategy of controlled and selective growth with leading universities, generating long-term predictable RPI-linked revenues. The Company has continued to grow the number of beds under management with both new and existing partners. During the year the Company has successfully reached financial close on two transactions with both existing and new university partners, in total procuring approximately £140m of new senior borrowing, subordinated debt and equity. The year also saw the company awarded preferred bidder status with respect to a further 1,200 new study bedrooms with its partner at the University of Exeter. The company was also responsible for oversight of the construction of 1,973 new bedrooms with two university partners, both of which remain on programme.

With effect from 1 March 2018, UPP REIT Holdings Limited, the ultimate parent company of the Company has elected for Real Estate Investment Trust ("REIT") status to apply to the Company. As a result, the Company will no longer pay income tax on profits and gains from qualifying property rental business providing it meets certain conditions. Non-qualifying profits and gains continue to be subject to income tax as normal.

During the year, one of the Company's subsidiary undertakings, UPP (Exeter) Limited, continued to progress latent defect work identified in its newly built accommodation. A programme of remediation will continue over the next three financial years, with no financial impact on the performance of the subsidiary undertaking.

As noted in the Strategic Report in the Company accounts for the year ended 31 August 2017, following the fire at Grenfell Tower in June 2017, the Group took the decision to replace the cladding at one of its subsidiary undertakings, UPP (Byron House) Limited. In consultation with the University partner, Nottingham Trent University, works to three blocks of accommodation - a total of 232 of the 911 rooms within the accommodation – were replaced. An amount of £1.7m was provided in administration expenses to cover the anticipated remediation costs plus associated legal and professional fees, and an impairment of £0.6m was made to the carrying value of the fixed asset, reflecting the loss in revenue due to the vacant rooms in the year ended 31 August 2018. The works were delivered to programme and are available to students for the academic term 2018/19.

Whilst the UK referendum decision to leave the European Union (EU) during 2016 and the parliamentary arithmetic resulting from the General Election of June 2017, continue to result in uncertainty for business in numerous sectors of the economy, UK Higher Education has maintained its undiminished reputation as a leading destination for students from around the globe. In the Times Higher Education World University Ranking for 2018 there were still 12 UK universities appearing in the top 100 institutions globally with more than thirty in the top 200. Recognition of the nature of global competition continues to lead many institutions to seek partnerships for the provision of cutting edge facilities ensuring a strategic competitive advantage in the market for the best students. The Company continues to offer attractive, demand risk transfer transactions, facilitated by non-recourse financing utilising sustainable capital market funding, rated at investment grade based on the strength of the partnership between the parties.

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2018

Principal activity and business review (continued)

During the financial year robust market conditions have seen the company conclude two transactions, the first during February 2018 with Swansea University and subsequently during June, with the University of Exeter. These universities are respectively ranked 30 and 12 in the Sunday Times Good University Guide. At Swansea University the company successfully reached financial close on a £98m deal with the FTSE 250 developer St Modwen Properties PLC, to establish a new, 45-year partnership for 2,021 study bedrooms at the Bay Campus.

In an innovative approach, the Group completed the acquisition of two existing companies as well as securing a freehold property interest in further accommodation. The transaction included procuring £63 million of index-linked bond debt from Pension Insurance Corporation (PIC), split across two debt tranches of £44.9 million and £18.1 million, with debt tenors of 44 years and 37 years respectively. UPP Group and its Shareholders invested £34.8 million of subordinated debt and equity. UPP Residential Services Limited will deliver a full facilities management service, drawing on its student experience expertise.

During June of 2018 the company also reached financial close on a £41.4 million deal to deliver 382 high-quality student residences for the University of Exeter. The scheme involves the redevelopment of the existing Moberly and Spreytonway sites on the University's Streatham Campus. UPP and the University have worked together since 2009, when a £133 million transaction saw the creation of a bespoke, long-term partnership – since which UPP has delivered and now operates over 2,500 on-campus residences. The scheme subsequently acceded to the Group's Irish Stock Exchange listed Bond programme in December 2014. The new transaction was funded by £37.2 million of index-linked bond debt from Pension Insurance Corporation (PIC), with a debt tenor of 47 years. This new investment at Exeter, the fifth transaction undertaken on a bilateral basis, takes the total that PIC has invested in UPP schemes to over £350 million. UPP Group and its shareholders invested £4.2 million of subordinated debt and equity.

Also during June, the University of Exeter announced that it was awarding the Company Preferred Bidder status to design, build, fund and operate a further 1,182 bedrooms as part of its East Park project. On completion of the scheme UPP will operate well over 4,000 rooms on the University of Exeter campus. When built out the Group will operate a portfolio of approximately 37,000, across 16 long-term partnerships with leading UK universities. Redevelopment at Moberly and Spreytonway began in earnest during the summer 2018 and is scheduled for completion for the start of the academic term 2020/21.

In terms of on-going development work, the Company has circa 2,000 rooms in construction. These contracts – procured by UPP Projects Limited (UPL) and overseen by the Group's newly established asset management company UPP Management Limited (UML) – for schemes with the University of Hull and the University of London, remain on programme to reach practical completion as planned. In the case of the former, phase one of the new Westfield Court student accommodation at the University of Hull, being delivered by the Company reached completion comfortably ahead of the new academic year. Phases two and three are set to become operational in January 2019 and August 2019, respectively.

During May 2018 the 100% owned operational subsidiary of the Company, UPP Residential Services Limited (URSL), was appointed as preferred bidder to deliver a full facilities management service for GradPad, a commercial subsidiary of Imperial College London. As part of the contract, URSL will operate a total of 1,172 rooms at Imperial College London, more than doubling its current offering. The stand-alone asset management contract will add a further 606 beds at Wood Lane Studios in White City, London to the portfolio of the company, as well as see the renewal of its current contract for the management of Griffon Studios in Battersea. The enhanced partnership with the institution will help to further strengthen the position of the company as the leading provider of on-campus facilities management and support services in the UK.

At the start of the financial year 2018 various admin departments transfered from URSL and UPL into the Company. These included costs relating to the ICT, HR and Health and Safety departments.

Principal activity and business review (continued)

Other notable events taking place during the financial year include the conversion of the wider Group to a Real Estate Investment Trust (REIT) during February 2018. The REIT structure, which has been promoted by the UK government as an efficient vehicle for the long-term ownership of UK real estate interests, will allow the asset companies composing the Group's property portfolio to benefit from the REIT exemption from corporation tax arising in its property rental business. To facilitate the conversion to a UK REIT, UPP has listed on The International Stock Exchange (TISE). UPP remains UK tax resident. The move represents the next step in the long-term strategy of the Group to achieve controlled value accretive growth, enhancing resilience and improving the quality of returns to Shareholders. It also provides further commercial benefits for UPL in on-going bidding activities.

Ahead of the financial year end the Group also announced important leadership changes. Sean O'Shea will move from his position as Chief Executive Officer of UPP Group Limited and become Vice Chairman from 1 January 2019, with Richard Bienfait, currently UPP Chief Financial Officer (CFO), will take over from Sean. A successor for the role of CFO was in progress at FYE 2018 and will be announced in due course.

The impending exit of the United Kingdom from the European Union (EU) continues to cast uncertainty across numerous sectors of the economy. Brexit is due to occur in March 2019 and Brexit negotiations are split into two parts. The first part relating to the past relationship (the "Divorce settlement") and the second related to future trading relationship. The intention is that both the Divorce settlement and a declaration of political intent in relation to the future trading relationship will be agreed before December 2018. The current Government remains committed to continue current funding and immigration arrangements for EU students until 2019/20. Whilst there have been some concerns in relation to how these changes might impact EU and International student enrolment post-Brexit, demand modelling by the Higher Education Policy Institute and London Economics suggests any fall in EU numbers will be largely offset by an increase in the population of International students; an estimated net fall in the full time student population of less than 1 per cent.

Also of note is the on-going Auger Review of HE funding. Due to report in January 2019, the Review is focusing on the value for money proposition of tuition fees and maintenance costs relative to both the cost of course provision but also the likely returns for students. This could possibly result in a change to the current tuition fee cap of £9,250, however at this stage it is not anticipated that this will impact detrimentally on demand. Accommodation costs also form part of the review.

Despite some uncertainty, the Universities and Colleges Admissions Service (UCAS) published data at the 30 June 2018 deadline, indicating that following UK's vote to leave the EU the number of applicants from the EU increased by 2 per cent. The number of non-EU applicants reported a remarkable increase of 6 per cent, the highest number of applicants for this group.

On this basis, the Board remain confident both in the robust nature of domestic and international demand for UK Higher Education, the Company pipeline and the capacity of the company to secure and deliver transactions coming to market on the basis of its unique selective approach to partnerships. The Board remain cognisant of the attendant risks relating to this approach and will continue to actively manage these where they arise.

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 2018

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 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.

Market specific risks

The Company remains exposed to industry specific risks such as demand fluctuation driven by changes in funding arrangements of UK higher education; changes to tuition fees and maintenance grants and Government policy aimed at generating greater competition between institutions for students with high grades.

The Company operates a structured risk management process which identifies, evaluates and prioritises risks and uncertainties. During the year the company introduced a number of further initiatives to further improve the management of these risks. In the case of exposure to the loss of risk capital in bidding and long term demand risk, the Group has established an Investment Committee under whose terms of reference proposed investments are scrutinised and challenged on the basis of cost and other commercial conditions ahead of any decision taken to sanction.

With respect to its approach to risk management more generally, the Company continues to follow the UK Corporate Governance Code and has during the year introduced a "Three Lines of Defence" model of risk management as recommended by The Institute of Internal Auditors.

Financial key performance indicators

The profit for the year attributable to shareholders and reported in the financial statements is £1,533,000 (2017: £16,915,000).

This report was approved by the board on 19 December 2018 and signed on its behalf.

R Bienfait
Director

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 AUGUST 2018

The directors present their report and the financial statements for the year ended 31 August 2018.

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

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

Financial risk management objectives and policies

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

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 £1,533 thousand *(2017 - £16,915,000.*

The directors did not declare any dividends for the year (2017 - £nil).

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2018

Directors

The directors who served during the year were:

J Benkel
R Bienfait
M Eady
P Marshall
P Milner
S O'Shea
A Percival
K Stafford
M Swindlehurst (appointed 1 June 2018)
J Wakeford
R Bailey-Watts (resigned 28 February 2018)
P Bowe (resigned 28 September 2018)

At 31 August 2018, 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.

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 19 December 2018 and signed on its behalf.

R Bienfait
Director

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

Opinion

We have audited the financial statements of UPP Group Limited (the "Company") for the year ended 31 August 2018, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 August 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

Other information

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

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

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by the Companies Act 2006

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

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

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Grant Thornton UK LLP

Simon Bevan (Senior Statutory Auditor)

for and on behalf of
Grant Thornton UK LLP

Chartered Accountants
Statutory Auditor

London

20 December 2018

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 AUGUST 2018

	Note	2018 £000	*2017 £000*
Administrative expenses	4	**(19,039)**	*(6,312)*
Other operating income	5	**2,102**	*1,833*
Operating loss	6	**(16,937)**	*(4,479)*
Interest receivable and similar income	9	**33,058**	*33,814*
Interest payable and expenses	10	**(13,780)**	*(12,468)*
Profit before tax		**2,341**	*16,867*
Tax on profit	11	**(808)**	*48*
Profit for the financial year		**1,533**	*16,915*

There was no other comprehensive income for 2018 (2017:£nil).

The notes on pages 14 to 36 form part of these financial statements.

BALANCE SHEET
AS AT 31 AUGUST 2018

	Note		2018 £000		2017 £000
Fixed assets					
Intangible assets	12		**776**		*162*
Tangible assets	13		**585**		*278*
Investments	14		**71,162**		*69,971*
			72,523		*70,411*
Current assets					
Debtors: amounts falling due after more than one year	15	**400,531**		*348,011*	
Debtors: amounts falling due within one year	15	**13,929**		*8,364*	
Cash at bank and in hand	16	**10,777**		*9,066*	
		425,237		*365,441*	
Creditors: amounts falling due within one year	17	**(60,117)**		*(46,668)*	
Net current assets			**365,120**		*318,773*
Total assets less current liabilities			**437,643**		*389,184*
Creditors: amounts falling due after more than one year	18		**(171,479)**		*(157,713)*
Provisions for liabilities					
Other provisions	22	**(126)**		*(110)*	
			(126)		*(110)*
Net assets			**266,038**		*231,361*
Capital and reserves					
Called up share capital	23		**1**		*1*
Share premium account	24		**214,930**		*181,930*
Other reserves	24		**8,148**		*8,004*
Profit and loss account	24		**42,959**		*41,426*
			266,038		*231,361*

**BALANCE SHEET (CONTINUED)
AS AT 31 AUGUST 2018**

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 19 December 2018.

R Bienfait
Director

The notes on pages 14 to 36 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 AUGUST 2018

	Called up share capital	Share premium account	Other reserves	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 September 2017	1	181,930	8,004	41,426	231,361
Profit for the year	-	-	-	1,533	1,533
Shares issued during the year	-	33,000	-	-	33,000
Capital contribution	-	-	144	-	144
At 31 August 2018	**1**	**214,930**	**8,148**	**42,959**	**266,038**

The notes on pages 14 to 36 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 AUGUST 2017

	Called up share capital	Share premium account	Other reserves	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 September 2016	1	181,930	7,855	24,511	214,297
Profit for the year	-	-	-	16,915	16,915
Capital contribution	-	-	149	-	149
At 31 August 2017	**1**	**181,930**	**8,004**	**41,426**	**231,361**

The notes on pages 14 to 36 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

1. General information

UPP Group Limited is a private company limited by shares 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 unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

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

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

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

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

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

This information is included in the consolidated financial statements of UPP Group Holdings Limited as at 31 August 2018 and these financial statements may be obtained from Companies House, 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.

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 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Statement of Comprehensive Income 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 2016 to continue to be charged over the period to the first market rent review rather than the term of the lease.

2.7 Finance costs

Finance costs are charged to the Statement of Comprehensive Income 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.

2. Accounting policies (continued)

2.8 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a charge 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.

With effect from 1 March 2018, UPP REIT Holdings Limited, the ultimate parent company of the Company has elected for Real Estate Investment Trust ("REIT") status to apply to the Company. As a result, the Company will no longer pay income tax on profits and gains from qualifying property rental business providing it meets certain conditions. Non-qualifying profits and gains continue to be subject to income tax as normal.

2.9 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.

2.10 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.

2. Accounting policies (continued)

2.11 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.

2.12 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.

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.

2.13 Investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.14 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.

2.15 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.

2.16 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. Accounting policies (continued)

2.17 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 debtors and creditors, 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 the 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 Statement of Comprehensive Income.

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 of the recoverable amount, 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.

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. Administrative expenses

At the start of the financial year 2018 various admin departments transfered from URSL and UPL into the Company. These included costs relating to the ICT, HR and Health and Safety departments.

5. Other operating income

	2018 £000	2017 £000
Other operating income	98	93
Fees receivable from group companies	2,004	1,740
	2,102	1,833

6. Operating loss

The operating loss is stated after charging:

	2018 £000	2017 £000
Other operating lease rentals	385	437

7. Auditor's remuneration

	2018 £000	2017 £000
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	2	3

The Company has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the group accounts of the parent Company.

8. Employees

	2018 £000	2017 £000
Wages and salaries	10,822	1,982
Social security costs	679	65
Cost of defined contribution scheme	409	19
	11,910	2,066

In the previous year employees were paid through the Company's subsidiary undertakings and the Company was recharged an amount of £2,066,000 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.

Five 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 £1,252,000 (2017: £1,167,000). The employee's pension costs in relation to those directors were £67,000 (2017: £52,000) The remuneration for the highest paid director was £423,000 (2017: £553,000).

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

	2018 No.	2017 No.
Administration	69	22

9. Interest receivable and similar income

	2018 £000	2017 £000
Interest from subordinated loan notes	32,945	33,618
Interest on cash balances	113	196
	33,058	33,814

10. Interest payable and similar expenses

	2018 £000	2017 £000
Other loan interest payable	-	25
Loans from group undertakings	13,780	12,443
	13,780	12,468

Interest on loan to parent company to February 2018, is payable to Student UK AcqCo Limited. From March 2018, interest was payable to UPP REIT Holdings Limited as a result of UPP Group's restructuring.

11. Taxation

	2018 £000	*2017 £000*
Corporation tax		
Current tax on profits for the year	733	-
	733	-
Total current tax	733	-
Deferred tax		
Current year - profit and loss	75	*(13)*
Changes to tax rates	-	*6*
Adjustment in respect of prior years	-	*(41)*
Total deferred tax	75	*(48)*
Taxation on profit/(loss) on ordinary activities	808	*(48)*

11. Taxation (continued)

Factors affecting tax (credit)/ charge for the year

The tax assessed for the year is higher than *(2017 - lower than)* the standard rate of corporation tax in the UK of 19% *(2017 - 19.53%)*. The differences are explained below:

	2018 £000	*2017 £000*
Profit on ordinary activities before tax	**2,341**	*16,867*
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19.53%)	**445**	*3,294*
Effects of:		
Expenses not deductible for tax purposes	**1,130**	*1,048*
Group relief claimed	**(270)**	*(2,774)*
Rate change	**-**	*5*
Adjustments to tax charge in respect of prior periods	**355**	*(41)*
Non-taxable income	**(927)**	*(1,580)*
Deferred tax balance release	**75**	*-*
Total tax charge for the year	**808**	*(48)*

Factors that may affect future tax charges

With effect from 1 March 2018, UPP REIT Holdings Limited, the ultimate parent company of the Company has elected for Real Estate Investment Trust ("REIT") status to apply to the Company. As a result, the Company will no longer pay income tax on profits and gains from qualifying property rental business providing it meets certain conditions. Non-qualifying profits and gains continue to be subject to income tax as normal.

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

12. Intangible assets

	Computer software £000
Cost	
At 1 September 2017	**211**
Additions	**598**
Intra-group transfers	**658**
At 31 August 2018	**1,467**
Amortisation	
At 1 September 2017	**49**
Charge for the year	**472**
Intra-group transfers	**170**
At 31 August 2018	**691**
Net book value	
At 31 August 2018	**776**
At 31 August 2017	*162*

Amortisation of intangible fixed assets is included in administrative expenses.

The computer software is being amortised evenly over its useful life of 5 years.

Intra-group transfers relate to intangible assets transfered from URSL into the Company at the beginning of the financial year.

13. Tangible fixed assets

	Long-term leasehold property £000	Fixtures and fittings £000	Total £000
Cost or valuation			
At 1 September 2017	563	196	759
Additions	2	-	2
Transfers intra group	-	653	653
Disposals	-	(3)	(3)
At 31 August 2018	565	846	1,411
Depreciation			
At 1 September 2017	352	130	482
Charge for the year on owned assets	56	18	74
Transfers intra group	-	270	270
At 31 August 2018	408	418	826
Net book value			
At 31 August 2018	157	428	585
At 31 August 2017	*211*	*67*	*278*

14. Fixed asset investments

	Investments in subsidiary companies £000
Cost or valuation	
At 1 September 2017	**69,971**
Additions	**1,191**
At 31 August 2018	**71,162**
Net book value	
At 31 August 2018	**71,162**
At 31 August 2017	*69,971*

The additions above relate to the investments made during the year in UPP (Swansea) Holdings Limited of £979,000 and UPP (Exeter 2) Holdings 1 Limited of £170,000 and UPP (Exeter 2) Holdings 2 Limited of £42,000.

Subsidiary undertakings

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

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

14. Fixed asset investments (continued)

UPP (Loughborough Student Accommodation) Holdings Limited	Ordinary	100 %	Provision of student accommodation
UPP (Oxford Brookes) Limited	Ordinary	100 %	Provision of student accommodation
UPP Leeds Student Residences Limited	Ordinary	100 %	Provision of student accommodation
UPP Loring Hall Limited	Ordinary	100 %	Provision of student accommodation
UPP (Kent Student Accommodation II) Holdings Limited	Ordinary	100 %	Provision of student accommodation
UPP (Exeter) Holdings Limited	Ordinary	100 %	Provision of student accommodation
UPP (Clifton) Holdings Limited	Ordinary	80 %	Provision of student accommodation
UPP (Byron House) Holdings Limited	Ordinary	80 %	Provision of student accommodation
UPP (Reading I) Holdings Limited	Ordinary	24 %	Provision of student accommodation
UPP (Kent Turing) Holdings Limited	Ordinary	100 %	Provision of student accommodation
UPP (Cartwright Gardens) Holdings Limited	Ordinary	85 %	Provision of student accommodation
UPP (MidCo) Limited	Ordinary	100 %	Investment company, holding 56% of shares in UPP (Reading1) Holdings Limited
UPP Bond 1 Issuer plc	Ordinary	100 %	Provision of long term funding to six subsidiary undertakings
UPP Projects Limited	Ordinary	100 %	Develop partnerships for the provision of student accommodation
UPP Residential Services Limited	Ordinary	100 %	Provision of facility management services
UPP (Duncan House) Holdings Limited	Ordinary	85 %	Provision of student accommodation
UPP (Hull) Holdings Limited	Ordinary	90 %	Provision of student accommodation
UPP (Swansea) Holdings Limited	Ordinary	100 %	Provision of student accommodation
UPP (Exeter 2) Holdings 1 Limited	Ordinary	100 %	Provision of student accommodation
UPP (Exeter 2) Holdings 2 Limited	Ordinary	100 %	Provision of student accommodation

14. Fixed asset investments (continued)

The aggregate of the share capital and reserves as at 31 August 2018 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

	Aggregate of shareholders' funds/ (deficit) £000	Profit/(loss) £000
UPP (Alcuin) Limited	25,174	170
UPP (Lancaster) Holdings Limited	(54,021)	(113)
UPP (Nottingham) Limited	8,365	(895)
UPP (Broadgate Park) Holdings Limited	13,352	(353)
UPP (Plymouth Three) Limited	27,683	766
UPP (Kent Student Accommodation) Limited	14,239	678
UPP (Loughborough Student Accommodation) Holdings Limited	(20,582)	(366)
UPP (Oxford Brookes) Limited	10,612	192
UPP Leeds Student Residences Limited	1,692	(26)
UPP Loring Hall Limited	646	295
UPP (Kent Student Accommodation II) Holdings Limited	8,591	575
UPP (Exeter) Limited	3,654	(976)
UPP (Clifton) Holdings Limited	(4,341)	(455)
UPP (Byron House) Holdings Limited	(17,023)	(1,312)
UPP (Reading I) Holdings Limited	59,467	(2,299)
UPP (Kent Turing) Holdings Limited	8,401	557
UPP (Cartwright Gardens) Holdings Limited	9,104	(3,257)
UPP (MidCo) Limited	1,234	-
UPP Bond 1 Issuer plc	5,777	(238)
UPP Projects Limited	(9,271)	(343)
UPP Residential Services Limited	18,117	4,601
UPP (Duncan House) Holdings Limited	1,046	-
UPP (Hull) Holdings Limited	1,017	(230)
UPP (Swansea) Holdings Limited	(81)	(1,060)
UPP (Exeter 2) | Holdings 1 Limited	113	(59)
UPP (Exeter 2) Holdings 2 Limited	40	(2)
	113,005	(4,150)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

15. Debtors

	2018 £000	*2017 £000*
Due after more than one year		
Unsecured subordinated loan notes	**193,265**	*177,502*
Secured subordinated loan notes	**169,805**	*132,929*
Secured bridge funding loan notes	**37,461**	*37,505*
Deferred tax asset	**-**	*75*
	400,531	*348,011*

	2018 £000	*2017 £000*
Due within one year		
Amounts owed by group undertakings	**13,153**	*8,120*
Other debtors	**155**	*(8)*
Prepayments and accrued income	**621**	*252*
	13,929	*8,364*

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

The secured subordinated loan notes are provided to a number of subsidiary undertakings. Each of the facilities is secured over the assets of each relevant subsidiary undertakings, however is subordinated to the right of payment of the senior debt providers of each subsidiary undertaking.

Secured Bridge Funding Loan Notes

On 26 May 2017 the Company subscribed for £23,233,000 of Secured Bridge Funding Loan notes in its subsidiary undertaking, UPP (Hull) Holdings Limited, representing 90% of the total loan notes issued by that company. Interest is payable at 1.61% and the loan notes will be redeemed at par on or before 31 August 2019. This redemption will be funded by the subsidiary undertaking issuing secured subordinated loan notes.

During the year ended 31 August 2018, the Company did not subscribe for any further Secured Bridge Funding Loan notes.

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%	42 years	Aug 44 – Aug 68
Unsecured loan notes	13.5%	41 years	August 56

16. Cash and cash equivalents

	2018 **£000**	*2017* *£000*
Cash at bank and in hand	**10,777**	*9,066*
	10,777	*9,066*

17. Creditors: Amounts falling due within one year

	2018 £000	2017 £000
Trade creditors	2,931	429
Amounts owed to group undertakings	49,768	42,799
Other taxation and social security	368	48
Other creditors	296	-
Accruals and deferred income	6,754	3,392
	60,117	46,668

The amounts owed to group undertakings comprise of £1,808,000 (2017: £1,808,000) provided by Student UK TopCo Limited, the former ultimate parent company, £32,210,000 (2017: £32,210,000) provided by UPP Group Holdings Limited, the immediate parent undertaking and various other amounts totalling £8,620,000 (2017: £8,781,000) 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

	2018 £000	2017 £000
Amounts owed to parent company	171,479	157,713
	171,479	157,713

19. Loans

Analysis of the maturity of loans is given below:

	2018 £000	2017 £000
Amounts falling due after more than 5 years		
Due to parent company > 5 yrs (debt)	171,479	157,713
	171,479	157,713

20. Financial instruments

	2018 **£000**	*2017* *£000*
Financial assets		
Financial assets that are debt instruments measured at amortised cost	**417,331**	*362,939*
Financial liabilities		
Financial liabilities measured at amortised cost	**(217,464)**	*(204,333)*

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

	2018 **£000**	*2017* *£000*
At beginning of year	**75**	*27*
Charged to the profit and loss	**(75)**	*48*
At end of year	**-**	*75*

The deferred tax asset is made up as follows:

	2018 **£000**	*2017* *£000*
Accelerated capital allowances	**-**	*18*
Other timing differences	**-**	*57*
	-	*75*

22. Provisions

	Dilapidation £000
At 1 September 2017	110
Charged to profit or loss	16
At 31 August 2018	**126**

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

	2018 £000	*2017 £000*
21,100,000 *(2017 - 21,100,000)* 'A' Ordinary shares of £- each	2	*2*
25,000 *(2017 - 25,000)* 'B' Ordinary shares of £0.01 each	-	*-*
	2	*2*
Allotted, called up and fully paid		
11,040,160 *(2017 - 11,040,000)* 'A' Ordinary shares of £- each	1	*1*
25,000 *(2017 - 25,000)* 'B' Ordinary shares of £0.01 each	-	*-*
	1	*1*

On 2 February 2018, the Company issued 1 0.01p 'A' ordinary share for a consideration of £33,000,000.

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

The (A/B) Ordinary shares have the rights and restrictions as set out in the amended Articles of Association of the Company.

24. Reserves

Share premium account

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 2018 an amount of £144,000 (2017: £149,000) 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 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2018	*2017*
	£000	*£000*
Not later than 1 year	**486**	*486*
Later than 1 year and not later than 5 years	**606**	*1,092*
	1,092	*1,578*

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.

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

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

NOTES TO THE FINANCIAL STATEMENTS
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	2018 £000	2017 £000
UPP (Byron House) Holdings Limited	**1,027**	*804*
UPP (Clifton) Holdings Limited	**366**	*417*
UPP (Reading 1) Holdings Limited	**1,450**	*1,580*
UPP (Cartwright Gardens) Holdings Limited	**2,886**	*3,032*
UPP (Duncan House) Holdings Limited	**250**	*104*
UPP (Hull) Holdings Limited	**374**	*101*
	6,353	*6,038*

At the balance sheet date, the amounts receivable on subordinated loan notes is shown below. All of the amounts are included within debtors due after more than one year.

	2018 £000	2017 £000
UPP (Byron House) Holdings Limited	**10,340**	*9,378*
UPP (Clifton) Holdings Limited	**5,085**	*4,875*
UPP (Reading I) Holdings Limited	**17,325**	*16,293*
UPP (Cartwright Gardens) Holdings Limited	**29,515**	*28,676*
UPP (Duncan House) Holdings Limited	**14,133**	*14,272*
UPP (Hull) Holdings Limited	**23,327**	*23,233*
	99,725	*96,727*

UPP Group Holdings Limited is a wholly owned subsidiary of UPP REIT Holdings Limited, a company registered in Jersey, Channel Islands. The previous holding company was Student UK TopCo Limited, also registered in Jersey, Channel Islands. The directors consider these companies to be related parties and are required to disclose related party transactions accordingly.

At 31 August 2018, the total loans payable to that company stayed same £109,018,000 (2017: £109,018,000) and accrued interest payable on these loans as at the balance sheet date was £62,403,000 (2017: £48,695,000).

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

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 REIT Holdings Limited, a company registered in Jersey, Channel Islands. Copies of the accounts can be obtained from www.upp-ltd.com, once the accounts have been filed.