

## IMPORTANT NOTICE

**THIS BASE PROSPECTUS MAY ONLY BE DISTRIBUTED TO PERSONS WHO ARE NOT U.S. PERSONS (AS DEFINED IN REGULATION S ("REGULATION S") UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT")) AND ARE OUTSIDE OF THE UNITED STATES.**

**IMPORTANT:** You must read the following disclaimer before continuing. The following disclaimer applies to the base prospectus (the "Base Prospectus") attached to this electronic transmission and you are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the attached Base Prospectus. In accessing the Base Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from UPP Bond 1 Issuer plc (the "Issuer") as a result of such access.

**NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. ANY SECURITIES TO BE ISSUED HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT).**

**THE ATTACHED BASE PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON OR REPRODUCED IN ANY MANNER WHATSOEVER. DISTRIBUTION OR REPRODUCTION OF THE ATTACHED BASE PROSPECTUS IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE SECURITIES LAWS OF OTHER JURISDICTIONS.**

**UNDER NO CIRCUMSTANCES SHALL THIS BASE PROSPECTUS CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THE SECURITIES IN ANY JURISDICTION IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL.**

**THIS BASE PROSPECTUS IS NOT BEING DISTRIBUTED TO, AND MUST NOT BE PASSED ON TO, THE GENERAL PUBLIC IN THE UNITED KINGDOM. RATHER, THE COMMUNICATION OF THIS BASE PROSPECTUS AS A FINANCIAL PROMOTION IS ONLY BEING MADE TO THOSE PERSONS FALLING WITHIN ARTICLE 12, ARTICLE 19(5) OR ARTICLE 49 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005, OR TO OTHER PERSONS TO WHOM THIS BASE PROSPECTUS MAY OTHERWISE BE DISTRIBUTED WITHOUT CONTRAVENTION OF SECTION 21 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000, OR ANY PERSON TO WHOM IT MAY OTHERWISE LAWFULLY BE MADE. THIS COMMUNICATION IS BEING DIRECTED ONLY AT PERSONS HAVING PROFESSIONAL EXPERIENCE IN MATTERS RELATING TO INVESTMENTS AND ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS COMMUNICATION RELATES WILL BE ENGAGED IN ONLY WITH SUCH PERSONS. NO OTHER PERSON SHOULD RELY ON IT.**

**Confirmation of Your Representation:** By accessing this Base Prospectus you confirm to Barclays Bank PLC, RBC Europe Limited, The Royal Bank of Scotland plc and UBS Limited as the arrangers, joint bookrunners and dealers (the "Arrangers") and Mitsubishi UFJ Securities International plc as passive bookrunner and dealer (and together with the Arrangers, the "Dealers"), and the Issuer, that: (i) you understand and agree to the terms set out herein, (ii) you are not a U.S. person (within the meaning of Regulation S), or acting for the account or benefit of any U.S. person, and that you are not in the United States, its territories and possessions, (iii) you consent to delivery of the Base Prospectus by electronic transmission, (iv) you will not transmit the attached Base Prospectus (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person except with the prior written consent of the

**Arrangers or Dealers, and (v) you acknowledge that you will make your own assessment regarding any credit, investment, legal, taxation or other economic considerations with respect to your decision to subscribe or purchase any of the Notes.**

**You are reminded that the attached Base Prospectus has been delivered to you on the basis that you are a person into whose possession this Base Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver this Base Prospectus, electronically or otherwise, to any other person and in particular to any U.S. person or to any U.S. address. Failure to comply with this directive may result in a violation of the Securities Act or the applicable laws of other jurisdictions.**

**If you received this Base Prospectus by e-mail, you should not reply by e-mail to this announcement. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected. If you receive this Base Prospectus by e-mail, your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.**

**The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where such offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Arrangers or Dealers or any affiliate of the Arrangers or Dealers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Arrangers or Dealers by such affiliate on behalf of the Issuer in such jurisdiction.**

**Under no circumstances shall the Base Prospectus constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful. Recipients of the attached document who intend to subscribe for or purchase the Notes are reminded that any subscription or purchase may only be made on the basis of the information contained in this Base Prospectus.**

**This Base Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Arrangers or Dealers, the Issuer nor any person who controls or is a director, officer, employee or agent of the Arrangers or Dealers, the Issuer nor any affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Base Prospectus distributed to you in electronic format and the hard copy version available to you on request from the Arrangers or Dealers.**

**The distribution of the Base Prospectus in certain jurisdictions may be restricted by law. Persons into whose possession the attached document comes are required by the Arrangers or Dealers and the Issuer to inform themselves about, and to observe, any such restrictions.**

# UPP BOND 1 ISSUER PLC

(a public company with limited liability incorporated under the laws of England and Wales with registered number 08255980)

£5,000,000,000

## Multicurrency Programme for the Issuance of Senior Secured Notes

UPP Bond 1 Issuer plc (the "**Issuer**") has authorised the establishment of a multicurrency note programme for the issuance of senior secured notes designated as the Notes (the "**Programme**"). The primary source of funds for the payment of principal and interest on the Notes issued under the Programme will be the right of the Issuer to receive payments of interest and repayments of principal in respect of secured loans made under a number of On-Loan Agreements (as defined below) to be entered into between UPP (Alcuin) Limited, UPP (Broadgate Park) Holdings Limited, UPP (Kent Student Accommodation) Limited, UPP (Nottingham) Limited, UPP (Oxford Brookes) Limited and UPP (Plymouth Three) Limited (the "**Original AssetCos**" and each an "**Original AssetCo**"), and together with any Acceding AssetCo (as defined below), the "**AssetCos**" and each an "**AssetCo**", the Issuer and U.S. Bank Trustees Limited (the "**AssetCo Security Trustee**") and any Acceding AssetCos. The obligations of the Issuer under the Notes will also be guaranteed and secured by each of UPP Bond 1 Limited ("**ParentCo**") and UPP Bond 1 Holdings Limited ("**HoldCo**") to the extent described in the section entitled "**Security and Enforcement Rights - Security**" below.

This base prospectus (the "**Base Prospectus**") has been approved by the Central Bank of Ireland (the "**Central Bank**"), as competent authority under the Prospectus Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Republic of Ireland "**2010 PD Amending Directive**" means Directive 2010/73/EU) (the "**Prospectus Directive**"). The Central Bank only approves this Base Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Such approval relates only to the Notes which are to be admitted to trading on the regulated market of the Irish Stock Exchange Limited (the "**Irish Stock Exchange**") or other regulated markets for the purposes of Directive 2004/39/EC or which are to be offered to the public in any Member State of the European Economic Area.

Application will be made to the Irish Stock Exchange for certain Notes to be admitted to the Official List (the "**Official List**") and trading on its regulated market. This document constitutes a Base Prospectus for the purpose of the Prospectus Directive. References in this Base Prospectus to Notes being "**listed**" (and all related references) shall mean that such Notes have been admitted to the Official List and to trading on its regulated market. The Programme provides that Notes may be listed on such other or further stock exchange(s) as may be agreed between the Issuer and the relevant Dealer (as defined below). The Issuer may also issue unlisted Notes.

The Notes may be issued, on a continuing basis, to one or more of the Arrangers and Dealers specified under the section entitled "**The Parties and Key Characteristics of the Programme**" and any additional Dealer appointed under the Programme from time to time by the Issuer (each a "**Dealer**" and together the "**Dealers**"), which appointment may be for a specific issue or on an ongoing basis. References in this Base Prospectus to the "**relevant Dealer**" shall, in the case of an issue of Notes being (or intended to be) subscribed for by more than one Dealer or in respect of which subscriptions will be procured by more than one Dealer, be to all Dealers agreeing to subscribe for such Notes or to procure subscriptions for such Notes, as the case may be.

Notes issued under the Programme have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States. The Notes may be offered, sold or delivered only outside the United States to persons who are not "U.S. persons" as defined in Regulation S under the Securities Act ("**Regulation S**") (each, a "U.S. person") in offshore transactions in reliance on Regulation S. Each purchaser of the Notes in making its purchase will be deemed to have made certain acknowledgements, representations and agreements (see "**Subscription and Sale**" in this Base Prospectus). Neither the Programme nor the Notes have been approved or disapproved by the U.S. Securities and Exchange Commission, any state securities commission in the United States or any other U.S. regulatory authority, nor has any of the foregoing authorities passed upon or endorsed the merits of any offering of Notes or the accuracy or adequacy of this Base Prospectus. Any representation to the contrary is a criminal offence in the United States. See "**Risk Factors**" to read about certain factors that prospective investors should consider before buying any of the Notes.

### Arrangers, Joint Bookrunners and Dealers

Barclays

RBC Capital Markets

The Royal Bank of Scotland

UBS Investment Bank

### Passive Bookrunner and Dealer

Mitsubishi UFJ Securities

Under the Programme, the Issuer may, subject to all applicable legal and regulatory requirements, from time to time issue Notes in bearer or registered form (respectively "**Bearer Notes**" and "**Registered Notes**"). Copies of the Final Terms or Drawdown Prospectus for each Series will be available to Noteholders (in the case of all Notes) from the specified office set out below of U.S. Bank Trustees Limited as Issuer note trustee (the "**Issuer Note Trustee**"), (in the case of Bearer Notes) from the specified office set out below of each of the Paying Agents and (in the case of Registered Notes) from the specified office set out below of each of the Registrar and the Transfer Agent as set out in the terms and conditions of any Notes, the Agency Agreement or the rules of any relevant Stock Exchange (or any other relevant authority) **provided that**, in the case of Notes which are not listed on any stock exchange, copies of the relevant Final Terms will only be available for inspection by the relevant Noteholders.

Notes issued under the Programme shall comprise a single class (the "**Notes**"). Notes will be issued in series (each a "**Series**"). The Notes may comprise one or more tranches (each a "**Tranche**") with each Tranche pertaining to, among other things, the currency, interest rate and maturity date of the relevant Tranche. Each Tranche may be zero-coupon, fixed rate, floating rate or index-linked Notes and may be denominated in sterling, euro or U.S. dollars (or in other currencies subject to compliance with applicable laws).

The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed £5,000,000,000 (or its equivalent in other currencies calculated as described in this Base Prospectus) unless increased from time to time by the Issuer.

Details of the aggregate principal amount, interest (if any) payable, the issue price and any other conditions not contained in this Base Prospectus, which are applicable to each Tranche of each Series of Notes will be set forth in a set of final terms (the "**Final Terms**"), or in a separate prospectus specific to such Tranche (a "**Drawdown Prospectus**"), see "*Final Terms and Drawdown Prospectuses*" below. In the case of Notes to be admitted to the Official List, the Final Terms will be delivered to the Central Bank on or before the relevant date of issue of the Notes of such Tranche. The Issuer may agree with any Dealer and the Issuer Note Trustee that Notes may be issued in a form not contemplated by the Conditions (as defined below) in this Base Prospectus, in which event (in the case of Notes admitted to the Official List only) a Drawdown Prospectus will be made available which will describe the effect of the agreement reached in relation to such Notes.

Ratings ascribed to all of the Notes reflect only the views of Fitch Ratings Ltd ("**Fitch**") (if then rating the Notes), Moody's Investor Services Limited ("**Moody's**") and Standard & Poor's Credit Market Services Europe Limited ("**S&P**") and together with Moody's, the "**Rating Agencies**". A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by any one or all of the Rating Agencies. A suspension, reduction or withdrawal of the rating assigned to any of the Notes may adversely affect the market price of such Notes.

Each of Fitch, Moody's and S&P is established in the EEA and registered under Regulation (EU) No 1060/ 2009, as amended (the "**CRA Regulation**").

In the case of Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a member state of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive, the minimum specified denomination shall be EUR100,000 or not less than the equivalent of EUR100,000 in any other currency as at the date of issue of such Notes. Notes may be issued in such denominations and higher integral multiples of a smaller amount specified in the relevant Final Terms or Drawdown Prospectus.

Notes that are Bearer Notes may be represented initially by one or more temporary global notes (each a "**Temporary Global Note**") (which may be held either in new global note form or classic global note form), without interest coupons or principal receipts, which will be deposited with a common depositary (in the case of Temporary Global Notes in classic global note form) or a common safekeeper (in the case of Temporary Global Notes in new global note form) for Euroclear and Clearstream, Luxembourg on or about the Issue Date of such Tranche. Each such Temporary Global Note will be exchangeable for a permanent global note (each a "**Permanent Global Note**") or definitive notes in bearer form as specified in the relevant Final Terms or Drawdown Prospectus following the expiration of 40 days after the later of the commencement of the offering and the relevant Issue Date, upon certification as to non-U.S. beneficial ownership and as may be required by U.S. tax laws and regulations, as described in the section entitled "*Forms of the Notes*". Bearer Notes are subject to U.S. tax law requirements. Subject to certain

exceptions, the Bearer Notes may not be offered, sold or delivered within the United States or to U.S. persons.

Notes that are Registered Notes will be represented on issue by beneficial interests in one or more global certificates (each a "**Global Note Certificate**"), in fully registered form, without interest coupons or principal receipts attached, which will be deposited with, and registered in the name of, a common depositary (where not held under the New Safekeeping Structure) or a common safekeeper (where held under the New Safekeeping Structure) for Euroclear and Clearstream, Luxembourg. Ownership interests in the Global Note Certificates will be shown on, and transfers thereof will only be effected through, records maintained by Euroclear and Clearstream, Luxembourg and their respective participants. Notes in definitive, certificated and fully registered form will be issued only in the limited circumstances described in this Base Prospectus. In each case, purchasers and transferees of Notes will be deemed to have made certain representations and agreements (see the section entitled "*Subscription and Sale*").

### **IMPORTANT NOTICES**

This Base Prospectus is being distributed only to, and is directed only at, persons who (i) are outside the UK or (ii) are persons who have professional experience in matters relating to investments falling within Article 19(1) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**") or (iii) are high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(1) of the Order (all such persons together being referred to as "**relevant persons**"). Neither this Base Prospectus, nor any of its contents, may be acted upon or relied upon by persons who are not relevant persons. Any investment or investment activity to which this Base Prospectus relates is available only to, and any invitation, offer or agreement to subscribe for, purchase or otherwise acquire such investments will be engaged in only with, relevant persons.

This Base Prospectus comprises a base prospectus for the purposes of Article 5.4 of the Prospectus Directive and for the purpose of giving information with regard to the Issuer which, according to the particular nature of the Issuer and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer.

The Issuer, ParentCo, HoldCo and each AssetCo (in respect of the information in relation to that AssetCo only) accepts responsibility for the information contained in this Base Prospectus and any Final Terms in connection with an issue of Notes. To the best of the knowledge and belief of each of the Issuer, ParentCo, HoldCo and each AssetCo (in respect of the information in relation to that AssetCo only) taking all reasonable care to ensure that such is the case, the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

As used herein, "**Issuer Obligors**" shall mean the Issuer, ParentCo and HoldCo, and "**Issuer Obligor**" shall mean any one of them.

"**UPP Group**" or "**UPP**" shall mean UPP Group Holdings Limited ("**UGHL**") and its subsidiaries.

No person has been authorised in connection with the issue and sale of the Notes under the Programme to make any representation or provide any information other than as contained in this Base Prospectus. Any such representation or information should not be relied upon as having been authorised by or on behalf of the Issuer or any other party.

No party (including, without limitation, the Arrangers, any Dealers, the Trustees, Principal Paying Agent, Transfer Agent, Agent Bank and Registrar) other than the Issuer have separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by any other party (including, without limitation, the Arrangers, any Dealers, the Trustees, Principal Paying Agent, Transfer Agent, Agent Bank and Registrar) as to the accuracy or completeness of the information contained in this Base Prospectus or any other information supplied in connection with the Notes or their distribution. The statements in this paragraph are without prejudice to the responsibility of the Issuer. Each person receiving this Base Prospectus acknowledges that such person has not relied on any other party (including, without limitation, the Arrangers, any Dealers, the Trustees, Principal Paying Agent, Transfer Agent, Agent Bank and Registrar) in connection with any investigation of the accuracy of the information on its investment decision.

Neither the delivery of this Base Prospectus nor the offer, sale, allocation, solicitation or delivery of any Note shall in any circumstances create any implication or constitute a representation that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of any of the Issuer Obligors, each AssetCo or any relevant party or the information contained herein since the date of this Base Prospectus or that the information contained herein is correct as at any time subsequent to the date of this Base Prospectus. This Base Prospectus (and any other information provided in conjunction with this Base Prospectus) is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer or any other party (including, without limitation, the Arrangers, any Dealers, the Trustees, Principal Paying Agent, Transfer Agent, Agent Bank and Registrar) that any recipient of this Base Prospectus (or any other information provided in conjunction with this Base Prospectus) should purchase any of the Notes.

Each person contemplating making an investment in the Notes must make its own investigation and analysis of the creditworthiness of the Issuer and its own determination of the suitability of any such investment, with particular reference to its own investment objectives and experience and any other factors which may be relevant to it in connection with such investment. A prospective investor who is in any doubt whatsoever as to the risks involved in investing in the Notes should consult independent professional advisers.

The distribution of this Base Prospectus and the offering, sale or delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus comes are required by the Issuer, the Arrangers and the Dealers to inform themselves about and to observe any such restrictions. This Base Prospectus does not constitute, and may not be used for the purposes of, an offer to or solicitation by any person to subscribe for or purchase any Notes in any jurisdiction or in any circumstances in which such an offer or solicitation is not authorised or is unlawful.

None of the Issuer Obligors, the AssetCos, the Arrangers, the Dealers, the Trustees, the Monitoring Adviser, Principal Paying Agent, Transfer Agent, Agent Bank, Registrar or any other party named in this Base Prospectus accept responsibility to investors for the regulatory treatment of their investment in the Notes (including (but not limited to) whether any transaction or transactions pursuant to which Notes are issued from time to time is or will be regarded as constituting a “**securitisation**” for the purposes of the CRD (as defined below) and the application of Article 122a of the CRD to any such transaction) in any jurisdiction or by any regulatory authority. If the regulatory treatment of an investment in the Notes is relevant to an investor’s decision whether or not to invest, the investor should make its own determination as to such treatment and for this purpose seek professional advice and consult its regulator. Prospective investors are referred to the section entitled “*Risk Factors - Other Legal Risks - Changes to the risk weighted asset framework*” section of this Base Prospectus for further information on Article 122a.

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the stabilising manager(s) (or persons acting on behalf of any stabilising manager(s)) in the applicable Final Terms or Drawdown Prospectus may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the stabilising manager(s) (or persons acting on behalf of a stabilising manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant stabilising manager(s) (or person(s) acting on behalf of any stabilising manager(s)) in accordance with all applicable laws and rules.

**Any individual intending to invest in any Note described in this Base Prospectus should consult his or her professional adviser and ensure that he or she fully understands all the risks associated with making such an investment and has sufficient financial resources to sustain any loss that may arise from it. The price of securities can go down as well as up.**

All references in this Base Prospectus to “**pounds**”, “**sterling**” or “**£**” are to the lawful currency of the United Kingdom, all references to “**U.S.\$**” and “**U.S. dollars**” are to the lawful currency of the United States of America, and references to “**€**”, “**EUR**”, or “**euro**” are to the single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended, from time to time.

## FORWARD-LOOKING STATEMENTS

This Base Prospectus contains various forward-looking statements regarding events and trends that are subject to risks and uncertainties that could cause the actual results and financial position of the Issuer to differ materially from the information presented in this Base Prospectus. When used in this Base Prospectus, the words "estimate", "project", "intend", "anticipate", "believe", "expect", "should" and similar expressions, as they relate to the Issuer and the Programme are intended to identify such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. No party undertakes any obligation publicly to release the result of any revision to these forward-looking statements to reflect the events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

## SUPPLEMENTARY PROSPECTUS

The Issuer has undertaken, in connection with the admission of the Notes to the Official List, that, if there shall occur any significant new factor (including, but not limited to, the accession of an Acceding AssetCo to the Programme), mistake or material inaccuracy relating to information contained in this Base Prospectus which is capable of affecting the assessment of any Notes whose inclusion would reasonably be required by investors and their professional advisers, and would reasonably be expected by them to be found in this Base Prospectus, for the purpose of making an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and the rights attaching to the Notes, the Issuer shall prepare a supplement to this Base Prospectus or publish a replacement prospectus for use in connection with any subsequent issue by the Issuer of Notes and will supply to the Dealers and the Issuer Note Trustee such number of copies of such supplement hereto or replacement prospectus as such Dealer and the Issuer Note Trustee may reasonably request. The Issuer will also make copies available, free of charge, upon oral or written request, at the specified offices of the Paying Agents and in respect of Registered Notes, the Registrar and the Transfer Agent.

If the terms of the Programme are modified or amended in a manner which would make this Base Prospectus, as so modified or amended, inaccurate or misleading, a new prospectus will be prepared.

If at any time the Issuer shall be required to prepare a supplementary prospectus, the Issuer shall prepare and make available an appropriate supplement to this Base Prospectus or a further prospectus which, in respect of any subsequent issue of Notes to be listed on the Official List and admitted to trading on the Irish Stock Exchange, shall constitute a supplementary prospectus.

## FINAL TERMS AND DRAWDOWN PROSPECTUSES

In this section, the expression "**necessary information**" means, in relation to any Tranche of Notes, the information necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and of the rights attaching to the Notes. In relation to the different types of Notes which may be issued under the Programme, the Issuer has endeavoured to include in this Base Prospectus all of the necessary information except for information relating to the Notes which is not known at the date of this Base Prospectus and which can only be determined at the time of an individual issue of a Tranche of Notes.

Any information relating to the Notes which is not included in this Base Prospectus and which is required in order to complete the necessary information in relation to a Tranche of Notes will be contained in the relevant Final Terms, or where such information may not be included in Final Terms, a Drawdown Prospectus. For a Tranche of Notes which is the subject of Final Terms, those Final Terms must, for the purposes of that Tranche only, be read in conjunction with this Base Prospectus. The terms and conditions of the Notes as set out in the section entitled "*Terms and Conditions of the Notes*" (the "**Conditions**") when read in conjunction with the relevant Final Terms are the terms and conditions applicable to any particular Tranche of Notes which is the subject of Final Terms.

The Conditions as amended and/or replaced to the extent described in the relevant Drawdown Prospectus are the terms and conditions applicable to any particular Tranche of Notes which is the subject of a Drawdown Prospectus. Each Drawdown Prospectus will be constituted by a single document containing the necessary information relating to the Issuer and the relevant Tranche(s) of Notes.

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## OVERVIEW OF THE PROGRAMME

*The following is an overview of the Programme. This summary does not purport to be complete and should be read in conjunction with, and is qualified in its entirety by reference to, the more detailed information which appears elsewhere in this Base Prospectus. Prospective purchasers of the Notes issued under the Programme are advised to read carefully, and to rely solely on, the detailed information appearing elsewhere in this Base Prospectus in making any decision whether or not to invest in any Notes.*

### **The Programme**

Notes issued under the Programme will indirectly benefit from security granted by the AssetCos specified below in respect of six student accommodation concessions granted by six English higher education institutions, namely:

- University of York - UPP (Alcuin) Limited;
- University of Nottingham - UPP (Broadgate Park) Holdings Limited;
- University of Kent - UPP (Kent Student Accommodation) Limited;
- Nottingham Trent University - UPP (Nottingham) Limited;
- Oxford Brookes University - UPP (Oxford Brookes) Limited; and
- University of Plymouth - UPP (Plymouth Three) Limited.

UPP is the largest provider of on-campus residential and non-residential infrastructure to universities in the United Kingdom. It currently has 28,000 student rooms in operation or development with 13 Partner Universities, of which 9,104 are rooms operated by the AssetCos. UPP is also negotiating at preferred bidder level to develop approximately 3,000 further rooms.

### **Key Credit Features of the UPP Group**

- UPP's business model is based on partnerships with higher education institutions the key features of which are:
  - long term contracts (at least 40 years at inception) with Partner Universities (as defined below);
  - the Partner University is responsible for marketing and allocating rooms to prospective students; and
  - the student relationship remains with the Partner Universities and the accommodation is badged as Partner University accommodation.
- UPP are highly selective over the choice of university and choice of sites, underpinning strong historic occupancy performance:
  - UPP partners with leading institutions in each University Mission Group (as defined in the section entitled "*Glossary of Defined Terms*"), targeted using its own selectivity criteria;
  - accommodation is always located on or very near to campus, which is the preferred location for target cohorts of first year undergraduates and postgraduates; and
  - Partner Universities are targeted that have a shortage of accommodation and a minimum student to bed ratio of 2:1.
- Average Occupancy over last 5 years has been in excess of 99.5 per cent. across the AssetCos.

- The UPP business benefits from relationships and contractual frameworks with Partner Universities that produce stable and resilient cash flows:
  - credit and void risk is passed to Partner University<sup>1</sup> once a student enters into a student residence agreement and is accepted as a student of the Partner University setting out their obligations and rights in respect of the rooms they rent from a Partner University (an "SRA" or "Student Residence Agreement");
  - marketing is conducted on at least an even handed basis with other accommodation provided by the Partner University;
  - UPP benefits from a restrictive covenant regime that restricts long term competing supply in order to maintain its market position; and
  - the rent setting agreement for the life of the Project is linked to the retail price index ("RPI").

As used in this Base Prospectus, "**Partner University**" means the relevant partner university of an AssetCo or other UPP Group entity, as the context may require, and "**Partner Universities**" shall be construed accordingly.

#### **Issue of the Notes and Use of Proceeds**

The Issuer has been incorporated as a special purpose company for the purpose of issuing the Notes under the Programme.

The net proceeds of the notes issued on the Initial Issue Date (the "**Initial Notes**") under the Programme will be used by the Issuer to (i) advance On-Loans to the AssetCos, and (ii) pay transaction costs associated with the Programme. Each AssetCo will use the proceeds of the Initial Notes advanced to it by way of an On-Loan to refinance outstanding financial indebtedness and associated hedging liabilities.

In connection with Notes issued after the Initial Notes, the proceeds of Notes issued under the Programme will be used to advance On-Loans to (i) existing AssetCos or (ii) to an Acceding AssetCo, in each case to fund the acquisition of New Assets.

The proceeds of Notes issued under the Programme will also be used, *inter alia*, to fund the amounts required to be held in the Sinking Fund Accounts, Opex Accounts and Debt Service Reserve Account and any associated transaction costs.

#### **Source of Funds for Payments on the Notes**

The payment of interest and repayment of principal by each AssetCo in respect of the On-Loan made to it will provide the primary source of funds for the Issuer to make payments of interest and repayments (or prepayments) of principal under the Notes.

The Issuer's principal assets will consist of its right to receive payment of principal and interest under the On-Loans and its rights to receive payments from the Hedge Counterparties under the Issuer Hedge Agreements and from each AssetCo under the relevant AssetCo Hedge Agreements (as such terms are defined in the section entitled "*Glossary of Defined Terms*"). The terms of the Programme allow for the accession of additional AssetCos (each, an "**Acceding AssetCo**") subject to satisfaction of certain conditions including the satisfaction of certain financial ratio and rating requirements as more fully described in the section entitled "*Issuer Transaction Documents – Common Terms Agreement – Additional Indebtedness Conditions*". The terms of the Programme also permit each AssetCo to raise additional financial indebtedness pursuant to an On-Loan Agreement with such AssetCo and pursuant to a further issue of Notes or Private Placement Notes (as defined below) by the Issuer in connection with, and subject to the satisfaction of certain conditions relating to, new assets of that AssetCo (such asset, a "**New Asset**"). See the section entitled "*Description of the Issuer Transaction Documents – Common Terms Agreement – Additional Indebtedness Conditions*" for further details.

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<sup>1</sup> Save in respect of UPP (Broadgate Park) Holdings Limited, where transfer of credit and void risk will be effective as of the 2013/2014 academic year.

## Security Arrangements

### *Issuer Obligor Security*

The obligations of the Issuer Obligors under the Notes, the Issuer Hedge Agreements and any Private Placement Notes (as defined below) will be guaranteed by ParentCo and HoldCo and secured by each of the Issuer Obligors in favour of the Issuer Secured Creditors (the "**Issuer Obligor Security**") as further described in the section entitled "*Security and Enforcement Rights*" below.

### *AssetCo Security*

Each AssetCo will also grant certain security in favour of the AssetCo Security Trustee for their obligations under their respective On-Loan Agreements, AssetCo Guarantee and AssetCo Hedge Agreements entered into by such AssetCo (the "**AssetCo Security**") as further described in the section entitled "*Security and Enforcement Rights*" below.

## Other Arrangements

### *Cross Collateralisation Guarantee and Cash Pooling*

The cross collateralisation arrangements for the Programme consist of cash pooling at ParentCo level. In addition each AssetCo will enter into a joint and several limited recourse guarantee (the "**AssetCo Guarantee**") of the obligations of each other AssetCo under their respective On-Loan Agreements and transactions under the AssetCo Hedge Agreements, whereby the claims under such AssetCo Guarantee are limited to Surplus Cash (as defined in the section entitled "*Glossary of Defined Terms*").

### *Debt Service Reserve Account*

The Account Bank will maintain, in the name of the Issuer, a Debt Service Reserve Account for the purpose of maintaining debt service reserves in respect of the amounts payable under the Securities (as defined below) and Hedge Agreements by the Issuer for the next succeeding Interest Period and associated fees and expenses.

### *Appointment of Monitoring Adviser*

Trifinium Advisors (UK) Limited ("**Trifinium**") will be appointed as Monitoring Adviser on the Initial Signing Date. The Monitoring Adviser will perform certain services in accordance with a predefined Monitoring Standard, including, but not limited to:

- conducting regular meetings with the management team of the Group on a semi-annual basis and site visits (which will occur at least once every 5 years) to the properties of the AssetCos;
- reviewing cash management reports prepared by ParentCo (or, as the case may be, the Cash Administrator) and operating budgets prepared by each AssetCo (in respect of itself) and ParentCo (in respect of the Group);
- providing commentary on the annual report of the Issuer provided to the Noteholders;
- reviewing the sufficiency of sinking funds held by ParentCo on behalf of each AssetCo;
- providing recommendations or binding directions to the Security Trustees in relation to any amendment, waiver, determination or consent in connection with an AssetCo Monitored Activity proposed by the Issuer or an AssetCo;
- providing recommendations before any compensation payments by the relevant Partner University are agreed by the relevant AssetCo;
- providing recommendations in the event of the termination of the services contract between an AssetCo and UPP Residential Services Limited ("**URSL**") (each, an "**FM Services Contract**" or "**FM Contract**");

- providing monitoring services in accordance with the Trigger Level Monitoring Regime on the occurrence of specified Monitoring Trigger Events;
- upon the occurrence of an AssetCo Event of Default which is continuing, providing recommendations to the Issuer and the Security Trustees regarding (i) enforcement of AssetCo Security; (ii) accelerating claims against a relevant Non-Performing AssetCo including pursuant to the AssetCo Guarantee (iii) the exercise of step in rights under the Project Documents or (iv) any sale of shares of an AssetCo.

See the section entitled "*Description of the Issuer Transaction Documents – Monitoring Services Agreement*" below for a more detailed description of the role of the Monitoring Adviser including full details of the Monitoring Standard.

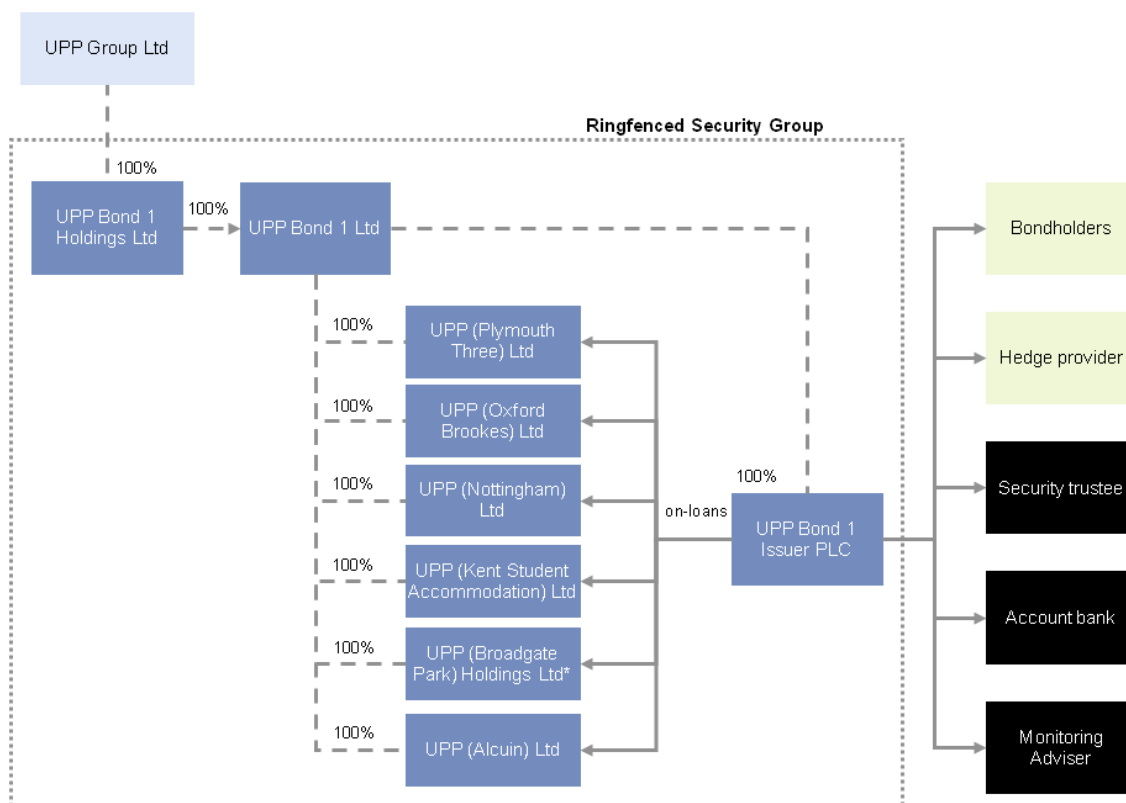
#### *Hedging Arrangements*

The Issuer will seek to manage the risks associated with the mismatch between its RPI linked income and fixed rate Note obligations (including any such Private Placement Notes) through entering into Revenue Swaps, removing the sensitivity to inflation of a proportion of the projected revenue. The hedging may be amended during the life of the Notes if the projected revenue stream is adversely impacted to prevent over-hedging. For more details see the section entitled "*Description of the Issuer Transaction Documents – Common Terms Agreement - Hedging Policy*" below. The Issuer is required to hedge at least 80 per cent. and not more than 100 per cent. of any interest rate exposure as a result of issuing any nominal floating rate Notes and to fully hedge any non-sterling exposure on Notes.

#### *Private Placement Notes*

The Transaction Documents permit the issuance by the Issuer of private placement notes ("**Private Placement Notes**") on terms that may differ from those described herein. Private Placement Noteholders will, constitute Issuer Secured Creditors and accordingly will have certain rights under the Transaction Documents, including under the Issuer Deed of Charge and Common Terms Agreement, including in respect of proposed amendments, consents and waivers relating to the Transaction Documents and rights in relation to the enforcement of the AssetCo Security and Issuer Obligor Security. The term "**Securities**" means the Notes and the Private Placement Notes taken together.

## Diagrammatic Overview of the Programme



\*UPP (Broadgate Park) Holdings Limited has a wholly owned direct subsidiary, UPP (Broadgate Park) Limited. See the section entitled "The AssetCos – UPP (Broadgate Park) Holdings Limited" for further details.

## The Parties and Key Characteristics of the Programme

**Issuer:** UPP Bond 1 Issuer plc (the "**Issuer**"), a public limited liability company incorporated under the laws of England and Wales with registered number 08255980, having its registered office at 40 Gracechurch Street, London, EC3V 0BT.

The Issuer is a special purpose company with limited permitted activities. Its principal activities will comprise, *inter alia*, issuing the Notes, advancing the On-Loans and entering into the transactions contemplated in the Issuer Transaction Documents. See the section entitled "Corporate Information on the Issuer Obligors and AssetCos - The Issuer" for further details.

**HoldCo:** UPP Bond 1 Holdings Limited ("**HoldCo**"), a private limited liability company incorporated under the laws of England and Wales with registered number 08253967, having its registered office at 40 Gracechurch Street, London, EC3V 0BT.

HoldCo is a special purpose company with limited permitted activities. HoldCo's entire issued share capital is held by UPP Group Limited ("UGL" or the "**Sponsor**"). See the section entitled "Corporate Information on the Issuer Obligors and AssetCos – HoldCo" for further details.

**ParentCo:** UPP Bond 1 Limited ("**ParentCo**"), a private limited liability company incorporated under the laws of England and Wales with registered number 08255705, having its registered office at 40 Gracechurch Street, London, EC3V 0BT.

ParentCo is a special purpose company with limited permitted activities. ParentCo's entire issued share capital is held by HoldCo.

ParentCo holds the entire issued share capital of each AssetCo and the Issuer. See the section entitled "*Corporate Information on the Issuer Obligors and AssetCos - ParentCo*" for further details.

ParentCo will provide treasury services to the AssetCos, UPP (Broadgate Park) Limited and the Issuer for so long as the Cash Administrator does not provide these services and open and maintain a number of pooled bank accounts in respect of the AssetCos and UPP (Broadgate Park) Limited. See the section entitled "*Description of Issuer Transaction Documents – Account Bank Agreement*".

**AssetCos:** UPP (Alcuin) Limited, UPP (Broadgate Park) Holdings Limited, UPP (Kent Student Accommodation) Limited, UPP (Nottingham) Limited, UPP (Oxford Brookes) Limited and UPP (Plymouth Three) Limited. Each AssetCo is ultimately, wholly owned by ParentCo. See the section entitled "*The AssetCos*" and "*Corporate Information on the Issuer Obligors and AssetCos – The Asset Cos*" for further details.

**Issuer Note Trustee:** U.S. Bank Trustees Limited, whose office is at 125 Old Broad Street, London EC2N 1AR (in such capacity, the "**Issuer Note Trustee**") will be appointed as trustee for the holders from time to time of the Notes pursuant to a trust deed to be dated on or about the Initial Signing Date (the "**Note Trust Deed**") between, *inter alios*, the Issuer and the Issuer Note Trustee. See the section entitled "*Description of the Issuer Transaction Documents – Note Trust Deed*" for further details.

**AssetCo Security Trustee:** U.S. Bank Trustees Limited, whose office is at 125 Old Broad Street, London EC2N 1AR (in such capacity, the "**AssetCo Security Trustee**") will be appointed pursuant to each debenture entered into by an AssetCo and UPP (Broadgate Park) Limited on or about the Initial Signing Date. The AssetCo Security Trustee will hold the AssetCo Security (granted pursuant to the AssetCo Security Documents) on trust for the Issuer.

**Issuer Security Trustee:** U.S. Bank Trustees Limited acting through its office at 125 Old Broad Street, London EC2N 1AR will be appointed as trustee pursuant to the issuer deed of charge (the "**Issuer Deed of Charge**") to be dated on or about the Initial Signing Date between, *inter alios*, the Issuer and the Issuer Secured Creditors (other than the Noteholders) (in such capacity, the "**Issuer Security Trustee**").

The Issuer Security Trustee will hold the Issuer Obligor Security to be granted by the Issuer Obligors (granted pursuant to the Issuer Obligor Security Documents) on trust for the other Issuer Secured Creditors.

<b>Cash Administrator:</b>	Elavon Financial Services Limited, U.K. Branch, acting through its specified office at 5 <sup>th</sup> Floor, 125 Old Broad Street, London EC2N 1AR, (the " <b>Cash Administrator</b> ") has agreed to provide certain cash administration services to the Issuer following the delivery of a Senior DSCR Enforcement Notice in relation to monies standing to the credit of the Accounts and certain other services in accordance with the Cash Administration Agreement, the Account Bank Agreement and the provisions of the other Issuer Transaction Documents. See the section entitled " <i>Description of the Issuer Transaction Documents — Cash Administration Agreement</i> " for further details.
<b>Account Bank:</b>	<p>Barclays Bank PLC, with registered office at 1 Churchill Place, London E14 5HP (the "<b>Account Bank</b>") will be appointed as programme account bank and will maintain the Accounts pursuant to an account bank agreement to be dated on or about the Initial Signing Date (the "<b>Account Bank Agreement</b>").</p> <p>The Issuer is required to maintain the Accounts with a bank whose long-term debt is rated at least BBB+ by S&amp;P or Baa1 by Moody's (or as approved by the Issuer Security Trustee (acting reasonably)). See the section entitled "<i>Description of the Issuer Transaction Documents — Account Bank Agreement</i>" for further details.</p>
<b>Principal Paying Agent, Agent Bank and Transfer Agent:</b>	Elavon Financial Services Limited, U.K. Branch, acting through its office at 5 <sup>th</sup> Floor, 125 Old Broad Street, London EC2N 1AR will provide certain services to the Issuer as principal paying agent (in such capacity, the " <b>Principal Paying Agent</b> "), as agent bank (in such capacity, the " <b>Agent Bank</b> ") and transfer agent (in such capacity, the " <b>Transfer Agent</b> ") pursuant to the terms of an agency agreement to be dated on or about the Initial Signing Date (the " <b>Agency Agreement</b> ") between, <i>inter alios</i> , the Issuer, the Paying Agents, the Agent Bank, the Transfer Agent and the Issuer Note Trustee.
<b>Registrar:</b>	Elavon Financial Services Limited, acting through its office at Block E, Cherrywood Business Park, Loughlinstown, Dublin, Ireland will provide certain services to the Issuer as registrar in respect of Registered Notes issued under the Programme (in such capacity, the " <b>Registrar</b> ") pursuant to the terms of the Agency Agreement.
<b>Initial Hedge Counterparties:</b>	Prior to the issue of the Initial Notes, it is expected that one or more of Barclays Bank PLC, UBS AG, Royal Bank of Canada, London Branch and Mitsubishi UFJ Securities International plc will each enter into Issuer Hedge Agreements with the Issuer and enter into certain hedging transactions thereunder (in such capacity, the " <b>Initial Hedge Counterparties</b> ").
<b>Monitoring Adviser:</b>	Trifinium Advisors (UK) Limited, acting through its office at 4 <sup>th</sup> Floor, 6 Gracechurch Street, London, EC3V 0AT, United Kingdom will be appointed by the Issuer to perform certain monitoring and advisory services as set out in the sections entitled " <i>Overview of the Programme – Appointment of Monitoring Adviser</i> " and " <i>Description of Issuer Transaction Documents – Common Terms Agreement – Monitoring Services Agreement</i> " (in such capacity, the " <b>Monitoring Adviser</b> ").
<b>FM Provider:</b>	UPP Residential Services Limited has entered into facilities management agreements with each AssetCo (in such capacity

together with any additional, replacement or successor entities acting as facilities management providers from time to time, the "**FM Provider**") to provide certain hard services (such as maintenance and gardening) and certain soft services (such as cleaning and security).

<b>Rating Agencies:</b>	Moody's and S&P and (if then rating the Notes) Fitch.
<b>Arrangers:</b>	Barclays Bank PLC, RBC Europe Limited, The Royal Bank of Scotland plc and UBS Limited will act as the mandated arrangers in respect of the Programme (in such capacity, each an " <b>Arranger</b> " and, together, the " <b>Arrangers</b> ").
<b>Joint Bookrunners and Dealers:</b>	Barclays Bank PLC, RBC Europe Limited, The Royal Bank of Scotland plc and UBS Limited will act as the mandated joint bookrunners and dealers in respect of the Programme (in such capacity and together with Mitsubishi UFJ Securities International plc, each a " <b>Dealer</b> " and, together the " <b>Dealers</b> ").
<b>Passive Bookrunner and Dealer:</b>	Mitsubishi UFJ Securities International plc will act as a passive bookrunner and a Dealer in respect of the Programme.
<b>Programme Size:</b>	Up to £5,000,000,000 (or its equivalent in other currencies) aggregate nominal amount of Notes outstanding at any time as increased from time to time by the Issuer.
<b>Purpose:</b>	<p>The net proceeds of Initial Notes issued under the Programme will be used by the Issuer to (i) advance On-Loans to the AssetCos, and (ii) pay transaction costs associated with the Programme. Each AssetCo will use the proceeds of the Initial Notes advanced to it by way of On-Loan to refinance outstanding financial indebtedness and associated hedging liabilities.</p> <p>In connection with Notes issued after the Initial Notes, the proceeds of Notes issued under the Programme will be used to advance On-Loans to (i) existing AssetCos, or (ii) to an Acceding AssetCo, in each case to fund the acquisition of New Assets.</p> <p>The proceeds of Notes issued under the Programme will also be used, <i>inter alia</i>, to fund the amounts required to be held in the Sinking Fund Accounts, Opex Accounts and Debt Service Reserve Account and any associated transaction costs.</p>
<b>Issuance in Series and Tranches:</b>	Notes will form a single class and be issued in Series. Each Series may comprise one or more tranches issued on different issue dates. Notes issued after the initial issuance may be fungible with Notes previously issued under the Programme or may be issued on different terms in accordance with the Note Trust Deed.
<b>Certain Restrictions:</b>	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time including the restrictions applicable at the date of this Base Prospectus (see the section entitled " <i>Subscription and Sale</i> ").
<b>Currencies:</b>	Sterling, euro, U.S. dollars and subject to any applicable legal or regulatory restrictions, any other currency agreed between the



Issuer and the relevant Dealer.

**Final Terms or Drawdown Prospectus:**

Notes issued under the Programme may be issued either:

- (i) pursuant to this Base Prospectus and associated Final Terms; or
- (ii) pursuant to a Drawdown Prospectus.

**Denomination of Notes:**

Notes will be issued in such denominations as may be specified in the relevant Final Terms, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

In the case of Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a member state of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive, the minimum specified denomination shall be EUR100,000 or not less than the equivalent of EUR100,000 in any other currency as at the date of issue of such Notes. Notes may be issued in such denominations and higher integral multiples of a smaller amount specified in the relevant Final Terms or Drawdown Prospectus.

**Redenomination:**

The applicable Final Terms or Drawdown Prospectus may provide that certain Notes may be redenominated in euro.

**Maturities:**

Subject to any law or regulation applicable to the Issuer or the relevant specified currency, the Notes will have such maturities as may be agreed between the Issuer and the relevant Dealer.

In certain circumstances, where Notes have a maturity of less than one year, such Notes will be subject to limitations to ensure the Issuer complies with section 19 of the Financial Services and Markets Act 2000 ("FSMA"). For further details please see the United Kingdom selling restrictions as set out in the "*Subscription and Sale*" section of this Base Prospectus.

**Issue Price:**

Notes may be issued on a fully paid basis and at an issue price which is at par or at a discount to, or premium over, par, as set out in the relevant Final Terms or Drawdown Prospectus.

**Interest:**

Notes will, unless otherwise specified in the relevant Final Terms or Drawdown Prospectus, be interest-bearing and interest will be calculated (unless otherwise specified in the relevant Final Terms) on the Principal Amount Outstanding of such Notes. Interest will accrue at a fixed or floating rate (plus, in the case of Indexed Notes, amounts in respect of indexation) and will be payable in arrear, as specified in the relevant Final Terms or Drawdown Prospectus, or on such other basis and at such rate as may be so specified. Interest will be calculated on the basis of such Day Count Fraction (as defined in the Conditions) as may be agreed between the Issuer and the relevant Dealer as specified in the relevant Final Terms or Drawdown Prospectus.

**Form and Status of Notes:**

The Notes are direct and unconditional obligations of the Issuer, are secured in the manner described in Condition 4 (*Security, Priority and Relationship with Issuer Secured Creditors*) and

rate pari passu without any preference among themselves. Notes will be issued in bearer or registered form.

**Status of HoldCo and ParentCo Guarantees:**

Each of the guarantees provided by Holdco and ParentCo are direct and unconditional obligations of HoldCo and ParentCo respectively and are secured in the manner described in Condition 4 (*Security, Priority and Relationship with Secured Creditors*).

**Fixed Rate Notes:**

Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer and in accordance with Condition 6(d) (*Fixed Rate Notes*).

**Floating Rate Notes:**

Floating Rate Notes will bear interest at a rate determined in accordance with Condition 6(c) (*Floating Rate Notes*).

The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each Series of Floating Rate Notes.

**Indexed Notes:**

Payments of principal or interest in respect of Indexed Notes will be calculated in accordance with Condition 6(e) (*Indexed Notes*).

**Other provisions in relation to the Notes:**

The Notes may also have a maximum interest rate, a minimum interest rate, a step-up in the interest rate after a certain date (or any combination of the foregoing).

**Zero Coupon Notes:**

Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.

**Interest Periods and Payment Dates:**

Such interest periods and interest payment dates as the Issuer and the relevant Dealer may agree in relation to a particular Series.

**Taxation:**

All payments in respect of Notes will be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges whatsoever, unless and save to the extent that the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, the Issuer will not be obliged to pay additional amounts in respect of any such withholding or deduction.

**Final Redemption:**

Subject to the terms of Condition 8(b) (*Final Redemption*), if a Tranche of Notes has not previously been redeemed in full, such Tranche will be finally redeemed at its Principal Amount Outstanding (in the case of Indexed Notes as adjusted in accordance with Condition 7(b) (*Application of the Index Ratio*)) plus accrued but unpaid interest on the Final Maturity Date as specified in the applicable Final Terms or Drawdown Prospectus.

**Issuer Optional Redemption:**

Subject to the terms of Condition 8(d) (*Optional Redemption*), the Issuer may (prior to the Final Maturity Date (as defined in the Conditions)) redeem the Notes in whole or in part (but, if in part, only in respect of the Corresponding Notes in relation to, and to the extent of, principal amounts equal and corresponding to such amount of the relevant Allocated On-Loan Amount as has been prepaid pursuant to the terms of the relevant On-Loan Agreement) upon giving not more than 15 nor fewer than 5 Business Days' prior written notice to the Issuer Note Trustee, the Noteholders in accordance with Condition 17 (*Notices*) and the Issuer Secured Creditors, at their Redemption Amount (as

defined in the Conditions). The Notes may only be redeemed on an Interest Payment Date.

**Issuer Redemption for Index Events:**

Subject to the terms of Condition 8(e)(i) (*Redemption for Index Events*), upon the occurrence of any Index Event, the Issuer may, upon giving not more than 15 nor fewer than 5 Business Days' prior written notice to the Issuer Note Trustee, the holders of the Indexed Notes in accordance with Condition 17 (*Notices*) and the Issuer Secured Creditors, redeem all (but not some only) of the Indexed Notes on any Interest Payment Date at the Principal Amount Outstanding (adjusted in accordance with Condition 7(b) (*Application of the Index Ratio*)) plus accrued but unpaid interest.

**Issuer Redemption for Taxation Reasons:**

Subject to the terms of Condition 8(e)(ii) (*Redemption for Taxation Reasons*), if the Issuer would become obliged to deduct or withhold from any payment of interest or principal in respect of the Notes any amount for or on account of taxes or certain amounts payable or receivable by the Issuer are subject to any such withholding or deduction, the Issuer may, upon giving not more than 15 nor fewer than 5 Business Days' prior written notice to the Issuer Note Trustee, the Noteholders in accordance with Condition 17 (*Notices*) and the Issuer Secured Creditors, redeem all (but not some only) of the affected Series of Notes on any Interest Payment Date at their Principal Amount Outstanding plus accrued but unpaid interest thereon (each adjusted, in the case of Indexed Notes, in accordance with Condition 7(b) (*Application of the Index Ratio*)).

**Early Redemption on termination of a Project Agreement:**

Subject to the terms of Condition 8(f) (*Early Redemption on termination of a Project Agreement*), upon receipt of any proceeds from the termination of the principal Project Agreement to which an AssetCo is a party, the Issuer shall, on the following Interest Payment Date and upon giving not more than 10 nor less than 5 Business Days' notice to the Issuer Note Trustee, the Noteholders in accordance with Condition 17 (*Notices*) and the Issuer Secured Creditors redeem the Corresponding Notes in relation to, and to the extent of, principal amounts equal and corresponding to such amount of the relevant Allocated On-Loan Amount as has been prepaid pursuant to the terms of the relevant On-Loan Agreement calculated as follows:

- (i) in the case of Par Termination Proceeds, at their Principal Amount Outstanding (in the case of Indexed Notes as adjusted in accordance with Condition 7(b) (*Application of the Index Ratio*)) together with accrued but unpaid interest; or
- (ii) in the case of Make Whole Termination Proceeds, at their Principal Amount Outstanding (adjusted in accordance with Condition 7(b) (*Application of Index Ratio*)) in redemption of the principal amount of Notes (the "**Par Redemption Amount**") together with accrued but unpaid interest plus an amount (if positive) equal to the amount (if any) by which the Early Redemption Price exceeds the Par Redemption Amount;

in each case plus accrued but unpaid interest, excluding payment of any amounts due on termination of an AssetCo

Hedge Agreement relating to the On-Loan(s) being prepaid.

**Early redemption on prepayment of an On-Loan Agreement**

The Issuer shall, on the following Interest Payment Date and upon giving not more than 10 nor less than 5 Business Days' notice to the Issuer Note Trustee, the Noteholders in accordance with Condition 17 (*Notices*) and the Issuer Secured Creditors redeem the Corresponding Notes in whole or in part in relation to, and to the extent of, principal amounts equal and corresponding to such amount of the relevant Allocated On-Loan Amount as has been prepaid pursuant to the terms of the relevant On-Loan Agreement at their Principal Amount Outstanding (in the case of Indexed Notes as adjusted in accordance with Condition 7(b) (*Application of the Index Ratio*)) plus accrued but unpaid interest on the following Interest Payment Date in the event of prepayment of an On-Loan Agreement other than in accordance with Condition 8(f) (*Early redemption on termination of a Project Agreement*).

**Representations, warranties, covenants and events of default:**

The representations, warranties, covenants and events of default which will apply to the Issuer Obligor and the AssetCos are set out in the Common Terms Agreement (see "*Description of the Issuer Transaction Documents – Common Terms Agreement*").

**Distribution:**

Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.

**Extraordinary Resolutions:**

The Note Trust Deed contains provisions for convening meetings of Noteholders to consider matters affecting their interests, including the modification of the Conditions, the Note Trust Deed and any other Issuer Transaction Document to which the Issuer Note Trustee is a party or in respect of which it holds security. Any modification (except in relation to an Ordinary Voting Matter, Extraordinary Voting Matter, matter giving rise to an Entrenched Right, Direction Notice, Enforcement Instruction Notice or SC Instruction Notice and subject to the provisions concerning ratification and/or meetings of Noteholders as set out in Condition 15(c) (*Modification, Waiver and Substitution*) and the Note Trust Deed) may be made if sanctioned by a resolution passed at a meeting of the Noteholders duly convened and held in accordance with the Note Trust Deed by a majority of not less than 75 per cent. of the votes cast (an "**Extraordinary Resolution**") of such Noteholders. Such a meeting may be convened by the Issuer Note Trustee or the Issuer, or by the Issuer (failing which the Issuer Note Trustee) upon the request in writing of the Noteholders holding not less than one tenth of the aggregate Principal Amount Outstanding of the relevant outstanding Notes.

The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more persons holding or representing not less than 50 per cent. of the aggregate Principal Amount Outstanding of the relevant outstanding Notes or, at any adjourned meeting, one or more persons being or representing Noteholders, whatever the Principal Amount Outstanding of the relevant outstanding Notes held or represented. Basic Terms Modifications may be sanctioned only by an Extraordinary Resolution passed at a meeting of Noteholders of the relevant Notes at which two or more persons holding or representing not less than 75 per cent. or, at any adjourned meeting, one or more persons holding 25 per cent. of

the aggregate Principal Amount Outstanding of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the relevant Noteholders, Receiptholders and Couponholders whether present or not.

**Basic Terms Modification:**

Any of the following proposals shall constitute a Basic Terms Modification:

- (i) to change any date fixed for payment of principal or interest in respect a Series of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes or (other than as specified in the Conditions), to alter the method of calculating the amount of any payment in respect of the Notes on redemption or maturity;
- (ii) to effect the exchange, conversion or substitution of a Series of Notes for, or their conversion into, shares, notes or other obligations or securities of the Issuer or any other person or body corporate formed or to be formed;
- (iii) to change the currency in which amounts due in respect of the Notes are payable other than pursuant to redenomination into euro pursuant to Condition 19 (*European Economic and Monetary Union*);
- (iv) to alter the Issuer Priority of Payments insofar as such alteration would affect the Notes;
- (v) to change the quorum required at any meeting or the majority required to pass an Extraordinary Resolution; or
- (vi) to amend the definition of Basic Terms Modification or Condition 15(a) (*Meetings of Noteholders, Modifications and Waiver*).

**Listing:**

It is expected that Notes issued under the Programme will be admitted to the Official List. The Notes may also be listed on such other or further stock exchange(s) as may be agreed between the Issuer and the relevant Dealer in relation to each Series.

Unlisted Notes may also be issued. The applicable Final Terms or Drawdown Prospectus will state whether or not the relevant Notes are to be listed and, if so, on which stock exchange(s).

**Ratings:**

The ratings assigned to the Notes by the Rating Agencies reflect only the views of the Rating Agencies. The ratings will be specified in the relevant Final Terms or Drawdown Prospectus.

The Notes issued on the Initial Issue Date will carry a preliminary rating which will be confirmed by the Rating Agencies shortly after the Initial Issue Date.

A rating is not a recommendation to buy, sell or hold securities and will depend, among other things, on certain underlying characteristics of the business and financial condition of the Issuer. A rating may be subject to suspension, change or

withdrawal at any time by the assigning Rating Agency.

**Issuer Events of Default:**

Each of the events summarised below will constitute an Issuer Event of Default:

- (i) default is made by the Issuer for a period of 5 Business Days in the payment of interest or principal on any Securities when due;
- (ii) default is made by any Issuer Obligor in the performance or observance of any obligation (other than a non-payment referred above), under the Securities or the Issuer Transaction Documents, and except where such default is not capable of remedy, is continuing for a period of 30 Business Days following the service of notice of default;
- (iii) payment default is made by the Issuer under any Hedge Agreement, subject to any applicable grace period;
- (iv) an Insolvency Event occurs in relation to any Issuer Obligor;
- (v) it is or will become unlawful for any Issuer Obligor to perform or comply with its obligations under the Securities or the Transaction Documents;
- (vi) any Issuer Obligor repudiates and refuses to acknowledge its payment obligations under the Securities or any Transaction Document;
- (vii) any Financial Indebtedness (other than the Securities or in respect of any Hedge Agreement) of any Issuer Obligor in aggregate in excess of £50,000 (indexed) is not paid when due (or within an applicable grace period) or is stated to be due and payable by reason of an event of default other than those amounts that the relevant Issuer Obligor is contesting in good faith and by appropriate proceedings with adequate reserves established for such amounts;
- (viii) any creditor's process on the property, undertakings or assets of any Issuer Obligor is not discharged within 30 days;
- (ix) a Governmental Authority takes steps that are reasonably likely to result in the seizure, expropriation, nationalisation or acquisition of any Issuer Obligor property, undertakings or assets;
- (x) any litigation is started against any Issuer Obligor reasonably likely to be adversely determined and which, if so adversely determined, would have a Material Adverse Effect;
- (xi) the Issuer Obligor Security ceases to be in full force and effect, or ceases to be first ranking Security or becomes unenforceable;
- (xii) a change of ownership of any Issuer Obligor (other than HoldCo) other than as permitted by the Issuer

Transaction Documents; and

- (xiii) an adverse modification or withdrawal of any consents, licenses, authorisations and approvals required by any Issuer Obligor in relation to the Transaction Documents which has a Material Adverse Effect.

**Governing Law:**

English law.

**Selling Restrictions:**

There are restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area, the United Kingdom, the Republic of Ireland and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes. See the section entitled "*Subscription and Sale*" below.

## **RISK FACTORS**

*An investment in the Notes involves a high degree of risk. The following sets out certain aspects of the Programme, the activities of the UPP Group, the Issuer Obligors and the AssetCos, and principal risks associated with an investment in the Notes of which prospective Noteholders should be aware. Prospective investors should carefully consider the following risk factors and the other information contained in this Base Prospectus before making an investment decision. An investment in the Notes is only suitable for investors experienced in financial matters who are in a position to fully assess the risks relating to such an investment and who have sufficient financial means to suffer any potential loss stemming therefrom.*

*This section of the Base Prospectus is not intended to be exhaustive and prospective Noteholders should read the detailed information set out elsewhere in this Base Prospectus prior to making any investment decision. The risks described below are not the only ones faced by the UPP Group, Issuer Obligors and the AssetCos. Additional risks not presently known to the UPP Group, Issuer Obligors and/or the AssetCos or that the Issuer currently believes to be immaterial may also adversely affect its business. If any of the following risks occurs, business, financial condition or results of operations of the UPP Group, Issuer Obligors and/or the AssetCos could be materially adversely affected. In any of such cases, the value of the Notes could decline, and the Issuer may not be able to pay all or part of the interest or principal on the Notes and investors may lose all or part of their investment. Prospective Noteholders should take their own legal, financial, accounting, tax and other relevant advice as to the structure and viability of an investment in the Notes.*

*In addition, whilst the various structural elements described in this Base Prospectus are intended to lessen some of the risks discussed below for the Noteholders, there can be no assurance that these measures will ensure that the Noteholders of any Series or Tranche receive payment of interest or repayment of principal from the Issuer on a timely basis or at all.*

### **BUSINESS AND REGULATORY RISK FACTORS**

#### **The AssetCos are exposed to demand risk and a potential fall in Occupancy**

The AssetCos are exposed to demand risk. Whilst each Partner University will market and allocate the accommodation to its students who have been offered a place to study at the institution and who fulfil the criteria for such accommodation, there are no guarantees from the Partner Universities that all or any of the rooms will be occupied by its students. The AssetCos are therefore exposed to demand risk each year up to and until a student enters into a legally binding commitment to accept an offer of a room in the accommodation, at which point the revenue risk relating to that occupancy (i.e. the risk of students not arriving, withdrawing from their studies part way through the academic year or not paying rent due under the relevant Student Residence Agreement is assumed by the Partner University. For further details see the section entitled "*The AssetCos*".

Demand for the accommodation is influenced by a number of external factors, including:

- sector related factors that influence the overall numbers of students undertaking courses of study, including the funding of higher education, changes to tuition fees and the United Kingdom government's policy to drive greater competition between institutions in particular for high achieving students;
- factors that influence the number of students undertaking courses of study at the relevant Partner University including the relative attractiveness of the Partner University compared to alternative higher education institutions;
- factors affecting the specific demand for the AssetCo's accommodation, including the quality of the offerings available, the proximity of accommodation to the campus, the facilities it has to offer, as well as the price of the accommodation relative to alternatives; and
- supply side factors including overall supply of alternative accommodation and the risk of increased supply over time.



**AssetCos may have to set the rents at a level below that to which it is contractually entitled in order to maintain occupancy levels**

The implications of demand risk are that an AssetCo's accommodation may not be full at the rent levels set, or, in order to sustain demand, an AssetCo may have to set the rents at a level below that to which it is contractually entitled to set it under the Project Documents or may even have to reduce the rent to compete for students. This would impact the revenue earned by the AssetCo. Each AssetCo's ability to meet its operating expenses and service its On-Loan is dependent on demand being sustained over the term of the Project and the AssetCos have no other sources of income other than the rents from occupiers of the accommodation.

**Changes in university funding could affect overall student numbers pursuing courses of study which could have an impact on rental revenues**

The Higher Education Funding Council for England ("HEFCE") is responsible for distributing public funds to higher education institutions in accordance with agreed criteria to higher education institutions. Under the current funding arrangements, HEFCE allocates funds to universities by applying a formula to determine how much the institution requires in order to fund its activities. Universities are then able to determine exactly how to apply this funding, taking into account their own priorities but ensuring that they comply with the broad criteria set out by HEFCE, for example in relation to student numbers. Total student numbers for each Partner University are therefore dependant on funding allocation from HEFCE.

HEFCE funding was reduced from the start of the 2012/2013 academic year. As a consequence, the universities' publicly funded income is becoming more dependent upon the tuition fees that it receives from students. Under the new funding arrangements, a significant proportion of public funding will go directly to students in the form of a loan from the Student Loan Company (rather than from HEFCE directly to universities in the form of a grant).

In future the level of funding provided by HEFCE will generally be based on research quality and so the ability of each Partner University to receive research funding for its research from HEFCE will be influenced by its ability to carry out research recognised as internationally excellent and world-leading. For further information on changes in university funding, see the section entitled "*The United Kingdom Higher Education and Student Accommodation Sector*".

It is unclear how the changes in university funding will affect overall student numbers. Any decrease in the numbers of students pursuing courses of study could have a consequent effect on the rents an AssetCo is able to collect and, as a result, affect their ability to service the On-Loans and the Issuer's ability to make payments under the Notes.

**Increases in tuition fee cap funding could affect overall student numbers pursuing courses of study**

Each of the universities for whom each AssetCo provides residential accommodation currently receive a significant proportion of their income from the tuition fees. In 2011/2012, existing UK/EU Students were charged up to a maximum of £3,465 per year in tuition fees by each university. For the academic year 2012/2013, universities were able to charge each new student up to a maximum of £9,000 per year in tuition fees. In order to do so, however, each institution must comply with strict criteria set by the Office of Fair Access, ensuring that all students that meet its admissions criteria are able to access its courses regardless of their background. This increase in fees will help to counter the reduction in the level of teaching funding that each Partner University will receive from HEFCE, however the capacity to off-set this fall in funding will be dependent upon the ability of each Partner University to attract students. Any increase in the costs of studying may have a negative effect on student numbers and a consequent effect on the demand for student accommodation.

**Change to current United Kingdom government policy on higher education could lead to amendments to, or the removal of, the tuition fee cap affecting overall student numbers pursuing courses of study**

The amount that each Partner University is able to charge its students is subject to any maximum amount that the government specifies and the current or future administrations may increase or decrease this amount depending upon its higher education policies. There is no guarantee that the government's approach to tuition fees, and higher education funding generally, will remain consistent. Any further

increase in the level of tuition fees may affect the number of prospective students who choose to apply for a place on a course with the each Partner University and therein demand for residential accommodation. For further information on changes in tuition fees, see the section entitled "*The United Kingdom Higher Education and Student Accommodation Sector*".

#### **Demographic changes may affect demand for courses of study and accommodation of AssetCos**

Demand for higher education is driven by a combination of demography and social mix. Whilst demography represents one of the key engines of growth, participation is also substantially affected by the changing social mix of the population. According to the Higher Education Policy Institute, students under 21 years old represent the dominant group in higher education. Any change in the size of this population group could have an impact on demand for higher education, the demand for student accommodation and in turn the results of operations of the AssetCos and their ability to make payments under the On-Loans.

#### **Increased competition between universities, non-UK universities and other providers of higher education may affect the demand for the universities served by the AssetCos**

Following the introduction of the new funding arrangements (see the risk factors entitled "*Changes in university funding could affect overall student numbers pursuing courses of study which could have an impact on rental revenues*" and "*Increases in tuition fee cap funding could affect overall student numbers pursuing courses of study*" for further details), the higher education sector in England and Wales has become increasingly competitive. Institutions therefore need to differentiate themselves from their competitors to establish a strong position within the sector in order to attract high numbers of students.

To ensure that institutions are focused on the provision of quality courses and facilities as well as value for money, the government have introduced a "core and margin" approach to student recruitment which may increase competition. This approach will see universities continuing to receive a "core" number of home and EU full-time undergraduate entrants based on their historic numbers. However, approximately one-fifth of all first year new entrant places are now open to competition between those institutions whose average grade offer is AAB or above, and those whose average tuition fee is £7,500 per annum or less. Institutions who fulfil these criteria are able to recruit as many students from this pool of new entrants as they wish. In future years, the "AAB+" threshold will be lowered (for example, in 2014/15 the AAB element of the margin will be extended to ABB).

There is a risk that overall enrolment growth could show more variability on a year to year basis going forward on the basis of these amendments and the ability of the universities served by each AssetCo to maintain their enrolment rate under the new system may have an effect on the demand for accommodation with AssetCos.

There may also be increased competition from overseas universities particularly those situated in the EU member states. Students may increasingly consider studying outside the UK, where the overall cost of a degree is cheaper. An outflow of students to overseas universities may have an effect on the numbers seeking accommodation at the universities served by the AssetCos.

#### **Academic reputation, quality of teaching and resources and popularity of courses may affect demand for universities served by the AssetCos**

The success of each Partner University in terms of student recruitment and retention and its aspirations to increase its position in national league tables will be dependent on its academic reputation, the quality of its teaching and research and the popularity of the courses it offers. It is likely, however, that student expectations will increase in line with the tuition fee cap. Quality of provision and value for money will be the drivers of student choice and future success will be based on the ability of an institution to understand a more competitive market dynamic and take best advantage of its market position. A risk may therefore exist that a Partner University does not respond to this dynamic effectively, which in turn may damage its reputation and popularity with students, impacting upon student numbers for the Partner University and demand for the accommodation on offer by the respective AssetCo.

### **Demand for AssetCo accommodation may be affected by increasing competition between operators and increasing levels of residential development**

The student accommodation market is characterised by approximately a dozen operators of more than 5,000 rooms and whilst growth in student enrolment has continued, as supply has increased so has the level of competition between operators for students. There is a risk that increasing residential supply in some student cities could place greater pressure on price and that this may impact on the capacity of AssetCo to secure the required levels of occupancy. This in turn might affect the ability of AssetCo to service its On-Loan and, as a consequence, on the Issuer to make payments on the Notes.

The student accommodation market continues to attract new and established developers. As a sector, higher education continues to exhibit a number of anti-cyclical characteristics and this, particularly during periods of economic downturn, may result in larger developer/operators turning to this market where other construction sectors have contracted. There is a risk that greater numbers of larger operators could enter the market with a greater capacity to deliver economies of scale, allowing them to develop significant numbers of bed spaces at lower price points.

### **The Partner University may elect not to "Nominate" rooms**

The majority of rooms operated by the AssetCos are marketed directly to the student population of the Partner University in accordance with the UPP business model. In some instances, however, the Partner University may "Nominate" rooms provided by the AssetCos. Where a Partner University Nominates rooms provided by an AssetCo they are then responsible for the payment of rent in respect of those rooms. If a Partner University elects not to Nominate rooms in any given year those rooms need to be marketed to the wider student population and may be subject to increased market competition. For example, Oxford Brookes University has historically Nominated a number of rooms each year at a pre-agreed rent. In the event they choose not to Nominate any rooms, the AssetCo would need to market those rooms directly to students and at a market rent.

### **The asset mix and the risk profile of an AssetCo may change over time as a result of AssetCo acquiring new assets**

The asset mix and the risk profile of the AssetCos may change over time if, in connection with an issue of further Notes, relating to a New Asset of an AssetCo (including an Acceding AssetCo). As a consequence of a New Asset being acquired in relation to a Partner University, the relevant AssetCo(s) may hold a greater proportion of the overall supply of rooms for a particular Partner University. A New Asset must pass certain tests, including that the issue of further notes would not reduce the long-term credit rating of the Notes as at the issued date or the then current long-term credit rating of the Notes (before the issue of such further notes) and **provided that** the minimum rating of the Notes after the issue of the further notes should be no lower than BBB by S&P and Baa2 by Moody's or any equivalent rating issued by another rating agency before it can be acquired by an AssetCo (for further and fuller details of the tests see the section entitled "*Description of the Issuer Transaction Documents - Common Terms Agreement – Additional Indebtedness Conditions*").

### **The asset mix and risk profile of the AssetCos taken as a whole may change over time as a result of a new AssetCo acceding to the Group**

The asset mix and risk profile of the AssetCos taken as a whole may change over time in connection with an accession pursuant to the Common Terms Agreement of an Acceding AssetCo. The Acceding AssetCo may have a contractual relationship with an existing Partner University or it may relate to a new university. An Acceding AssetCo must pass certain tests, including that the issue of further Notes would not reduce long-term credit rating of the Notes as at the Initial Issue Date or the then current long-term credit rating of the Notes (before the issue of such further notes) and **provided that** the minimum rating of the Notes after the issue of the further notes should be no lower than BBB by S&P and Baa2 by Moody's or any equivalent rating issued by another rating agency before it can be acquired by an AssetCo (for further and fuller details of the tests see the section entitled "*Description of the Issuer Transaction Documents - Common Terms Agreement – Additional Indebtedness Conditions*").

## **Universities may be subject to intervention by the HEFCE and dissolution by the United Kingdom government**

Each Partner University is responsible to HEFCE for acting in accordance with its governance obligations, to manage itself and the money it receives appropriately and to comply with the requirements imposed on it by virtue of its exempt charitable status. Each Partner University must comply with certain requirements which are specified in HEFCE's Financial Memorandum and Audit Code of Practice. As part of these obligations and before entering into new long term financial commitments, institutions must obtain written consent from HEFCE if the annual servicing cost of its total financial commitments would be more than 4 per cent. of its annual income. If the annual servicing cost would be more than 7 per cent. of its annual income then approval of the HEFCE board must be sought. In addition, HEFCE may intervene in an institution's management if, in its judgement, the institution faces threats to the sustainability of its operations either now or in the medium term. The terms of the funding requirements and regulation thereof dictated by HEFCE may have an effect on a Partner University's contractual obligations to an AssetCo.

In addition, the Secretary of State has the power to dissolve any higher education corporation and provide that its property, rights and liabilities (which could include its contractual obligations under the Project Framework) are transferred to another institution. To date no such dissolution has occurred, but should such an event occur, it could have a negative impact on the business of the relevant AssetCo and its ability to service its On-Loan and, as a consequence, on the Issuer to make payments on the Notes.

## **The AssetCos may not be able to pass on an increase in utilities costs to rental income**

AssetCo rents are inclusive of utility costs. Typically, utilities are the supply of gas and/or electricity, water and sewerage infrastructure charges. The tariffs are not under AssetCo's direct control.

There are mechanisms within the agreements with Partner Universities that enable the pass-through of increases in utility consumption and tariff to rents on an annual basis. There is a risk that the total increase in utility costs cannot be fully passed through to rent for the next rental period for the following reasons, amongst others:

- the information to determine the cost variance is incomplete at the time that the rent is agreed with the Partner University;
- the cost of the tariff increases after the rent has been agreed;
- consumption is greater than anticipated due, for example, to adverse weather conditions;
- the marketplace will be unable to sustain the proposed increase directly attributable to the increase in utility costs without impacting on demand for the accommodation;
- it may be agreed with the relevant Partner University that any increments in costs are spread over two or more years in order to avoid 'spikes' in rents; or
- the facilities management provider may not be satisfying the obligations to effectively manage the consumption of utilities within the accommodation.

## **Termination and replacement of the FM Contractor may lead to increased costs**

If URSL become insolvent or fails to provide its contracted services to each AssetCo in accordance with the agreed standards or as required by the Project Framework then the relevant AssetCo may have the right to terminate the agreement (or, where the right exists in the Project Agreement between AssetCo and the Partner University, be required to terminate the agreement by the relevant Partner University). In that case, AssetCo will have to appoint a new FM contractor and the price at which that replacement is prepared to provide its services may be greater than the price at which URSL was providing the services.

## **Restrictive covenants in the Project Agreement may not be enforceable**

Each AssetCo has the benefit of a restrictive covenant (as set out in the section entitled "*The AssetCos – Project Framework – Restrictive Covenants*") although the extent and conditions of the covenant vary between the student accommodation projects of the AssetCos (each, a "**Project**"). The restrictive

covenant restricts the Partner University from entering into agreements with third parties to build additional student accommodation or develop additional student accommodation themselves within an agreed geographical area or until agreed student to bed ratios are met. There is a risk that any restrictive covenant may not be enforceable. Under UK competition law, the rules applying to commercial contracts which rendered anti-competitive terms unenforceable have, historically, not been applicable to land agreements. This exemption was removed in April 2011. Although land agreements are now treated in the same way as other commercial contracts, restrictive covenants such as those described above are only capable of infringing competition law if they have a material adverse effect on competition in the relevant market. Even then, the restrictive covenant will meet the criteria for exemption and will therefore be enforceable if it produces efficiency benefits for consumers and is indispensable (i.e. no more restrictive than is strictly necessary to achieve these benefits). In the event any such restrictive covenant is not enforceable, an AssetCo may be unable to restrict a Partner University from entering into agreements with third parties to build additional student in direct competition with that AssetCo which may have a consequent effect on the operating revenues of that AssetCo which in turn may affect its ability to service its On-Loan and the Issuer's ability to service the Notes.

**AssetCos are exposed to the risk that a Partner University will default in making payments under the Project Agreement**

The rents and licence fees payable by students under SRAs are collected by the Partner University directly from students and are then paid to the AssetCo under the Project Agreement as rent. An AssetCo's ability to meet payments under the Notes, as well as meet all of its other financial commitments under sub-contracts and to meet its other operating expenses, is dependant on the Partner University collecting in those rents and paying them on the relevant payment dates to each AssetCo. Although such non-payment would give rise to an entitlement for the AssetCo to terminate the Project Agreement against the Partner University, as noted below in the risk factor entitled "*AssetCos are exposed to the risk that a Partner University may not be able to pay compensation on termination or may choose not to terminate on an AssetCo Event of Default*", there is no guarantee that compensation on termination payments would be paid at the time and in the manner contemplated by the Project Agreement.

**Pensions deficit liability may change over time, increasing funding costs**

In relation to UPP (Nottingham) Limited, approximately 26 active employees, 14 deferred pensioners and 17 pensioners are members of the Local Government Pension Scheme ("LGPS") and the NTU AssetCo has entered into an admission agreement with the LGPS in relation to the funding of that scheme for its employees. Following an FRS17 valuation in September 2012, the deficit was £1,087,000 which has been fully provided for in the financial statements. However, there is a risk that this deficit may change over time.

**It may not be possible to increase rents in line with inflation; there may be a mismatch between the indexed costs of the FM provider and rental income**

In an environment where high levels of inflation exist, there is a risk that all or part of the effects of inflation could not be passed through to student rents, even though there is typically an annual entitlement to do so as part of the rent setting process. This is because, in some instances, there is not a direct entitlement to pass the RPI through to rents or, secondly, the market would be unable to sustain such an increase that would, at that moment in time, adversely affect demand for the accommodation. In addition, the FM Provider has a contractual entitlement to index its costs each year between the benchmarking dates, so there is a risk that the full amount of the increased operating costs under the FM Contract could not be passed through to the rents thereby creating a mismatch.

**Increases in overall operating expenditure will impact on AssetCo's financial performance, if it is unable to pass those costs through to rents**

The principal operating expenditure is facilities management fees payable to URSL, insurances, utilities and employment costs. URSL is entitled to annual increases in its contract price, linked to the RPI, and the AssetCo's cannot directly control other costs. Accordingly, if overall operating expenditure increases and those increases cannot be passed through to rents, this may affect an AssetCo's ability to pay interest and/or principal due under its On-Loan and, therefore, the Issuer's ability to make interest payments and meet redemptions under the Notes.

### **Termination and replacement of the Issuer Management Services Provider may lead to increased costs**

If URSL becomes insolvent or fails to provide its contracted services to ParentCo and the Issuer in accordance with the agreed standards or as required by the Issuer Management Services Agreement then ParentCo and/or the Issuer may terminate the agreement. In that case, ParentCo and the Issuer will have to appoint a new Issuer Management Services Provider and the price at which that replacement is prepared to provide its services may be greater than the price which URSL was providing the services.

### **The AssetCos depend on their relations with employees**

Each AssetCo depends on its employees, who are managed and supervised by URSL, to provide the hard and soft services to the accommodation save in respect of those Projects where soft services are provided by the Partner University. Some of those employees are members of trade unions and are more likely to take part in industrial action than those who are not.

If industrial action does take place, and services have to be suspended or are interrupted, there is a risk that deductions will be made under the key performance indicators which are used to judge the quality of service delivery ("**KPIs**") (which cannot be passed down to URSL) or that, if the action is serious, a Partner University will exercise its step in rights under the relevant Project Agreement (the costs of which it will be entitled to recover from the AssetCo).

### **Litigation risks**

From time to time, an AssetCo may become involved in litigation as part of the ordinary course of its business. There can be no assurance that it will be successful in defending or pursuing any such actions, for example in relation to public and employee health and safety or claims for loss or damage.

Currently none of the AssetCo's are parties to or are aware of any actual or threatened proceedings, nor are they contemplating commencing any proceedings against any third parties.

## **PROPERTY AND RELATED RISKS**

### **Alternative uses and planning may require significant capital expenditure by AssetCos**

The contractual relationship between each Partner University and the corresponding AssetCo (the "**Project Framework**") contemplates that persons other than students can occupy the accommodation if there is insufficient demand from students. Whilst the Project Framework generally permits such alternative users to occupy the rooms, this will depend on demand from other classes of occupier whose occupation is compatible with the current configuration of the accommodation. If the accommodation were to be converted to some other broader residential use that may require significant capital expenditure or a change in planning use. In the case of planning, there is no guarantee that a planning application for a different or broader use would be granted.

### **AssetCos are exposed to compulsory purchase order risks**

Any property in the United Kingdom may at any time be compulsorily acquired by a Governmental Authority possessing compulsory purchase powers (for instance, local authorities and statutory undertakers, including electricity, gas, water and railway undertakers, in respect of their statutory functions) if it can demonstrate that the acquisition is required.

Any promoter of a compulsory purchase order would need to demonstrate that the compulsory purchase was necessary or desirable for the promoter's statutory functions and/or in the public interest.

As a general rule, if an order is made in respect of all or any part of a property, compensation would be payable on a basis equivalent to the market value of the owners' interests in the property at the time of the purchase, so far as those interests are included in the order, taking account of diminution in value of any retained land and other adverse impacts of the compulsory purchase.

There is often a delay between the compulsory purchase of a property and payment of compensation, although advance interim payments of compensation may be available where the acquiring authority takes possession before compensation has been granted.

It is possible that a compulsory purchase order may be made in respect of one or more of the properties held by an AssetCo in the future. In such event, there is no guarantee that the amount of compensation received in connection with any compulsory purchase order of such a property would not have an adverse effect on the ability of the AssetCo to make payments under the relevant On Loan. Accordingly, it is possible that a compulsory purchase order may have an effect on the resources available to the Issuer to make payments on the Notes.

As at the date of this Base Prospectus, none of the properties held by the AssetCos are subject to any compulsory purchase orders.

#### **AssetCos are exposed to environmental risks**

Various laws may require a current or previous owner, occupier or operator of property to investigate and/or clean-up hazardous or toxic substances or releases at or from such property. These owners, occupiers or operators may also be obliged to pay for property damage and for investigation and clean-up costs incurred by others in connection with such substances. Such laws typically impose clean-up responsibility and liability having regard to whether the owner, occupier or operator knew of or caused the presence of the substances. Even if more than one person may have been responsible for the contamination, each person coming within the ambit of the relevant environmental laws may be held responsible for all of the clean-up costs incurred.

If an environmental liability arises in relation to the properties held by an AssetCo and it is not remedied, or is not capable of being remedied, this may result in such properties either being sold at a reduced sale price or becoming impossible to sell. In addition, third parties may bring legal proceedings against a current or previous owner, occupier or operator of a site for damages and costs resulting from substances emanating from that site. These damages and costs may be substantial. In addition, the presence of substances on a property could result in personal injury or similar claims by private plaintiffs or pursuers. Any such liability could have an adverse effect on the ability of an AssetCo to make payments under an On-Loan and affect the resources of the Issuer available to make payment on the Notes.

#### **AssetCos are exposed to health and safety risks**

There is always a risk that changes to health and safety legislation could have an adverse impact on AssetCo's business and require unplanned and unbudgeted capital expenditure to ensure compliance. In addition, non-compliance by an AssetCo may result in prosecution and fines by the Health and Safety Executive ("**HSE**").

One area of importance is the regulation of houses in multiple occupation (also known as HIMOs). HIMO regulation was introduced in 2006 to improve the quality of existing private rented stock both in terms of physical condition and management. The regulation falls on local authorities to licence HIMOs, and should the regime extend to AssetCo's accommodation this would result in an additional compliance burden it does not currently undertake.

#### **AssetCos are exposed to insurance risk**

Each AssetCo is required to procure that insurance against certain specified commercial and property risks is maintained with respect to the AssetCo properties in accordance with the terms set out in the relevant Project Agreements.

Certain types of losses may not be insurable or economically insurable at that time (such as losses resulting from wars, nuclear radiation, radioactive contamination and settling of structures). In most properties held by the AssetCos, AssetCos take the risk of damage by uninsured risks. The existence of insurance does not guarantee that it will be possible to obtain any planning consent necessary to reinstate the affected buildings, or that insurances will in practice be available for the whole reinstatement period in relation to loss of rent. For further details on the insurance arrangements in relation to the AssetCos, see the section entitled "*The AssetCos – Project Framework – Insurance*".

#### **AssetCos may include properties with latent defects**

There is a risk that buildings which have been constructed as part of any of AssetCo properties may have a latent design defect which has not yet come to light and could require capital expenditure to remedy the defect which is not currently budgeted for. Where an AssetCo has procured new buildings under a

construction contract, the relevant building contractor will be obliged to maintain professional indemnity insurance and an AssetCo would seek to recover the costs of remediation of that risk from the building contractor or its insurers. The recovery of those sums is a business risk and would not generally relieve the relevant AssetCo from its obligations to keep the buildings in a good state of repair and condition. The presence of latent defects is not a risk which is passed down to URSL through the FM contract. In the event a latent defect requires significant capital expenditure and/or an AssetCo is unable to recover the costs of remediation from other sources, such expenditure could have an effect on the resources available to that AssetCo to make payments under its On-Loan and, therefore, the Issuer's ability to make interest payments and meet redemptions on the Notes.

### **Sinking funds established by AssetCos may prove to be insufficient**

Each AssetCo has made provision for the renewal and maintenance of various building components/fabric over the life of the relevant Project. These amounts have been assessed by reference to building conditions surveys and/or the anticipated life cycle of the specified materials in relation to new build projects. Although these assumptions have been independently opined upon, the adequacy of the sinking fund may over time prove to be less than required for the following reasons, among others:

- the original assumptions may prove to be incorrect over the anticipated life of the Project;
- obsolescence of a product or individual components, which could not have been reasonably foreseen;
- the use of the building is not in accordance with the original assumptions and has led to greater wear and tear; or
- partial or non-recovery of damage rectification costs through the incorrect application of the damage deposits could mean that sinking fund monies are utilised prior to the planned replacement/renewal.

In the event a sinking fund proves insufficient, the relevant AssetCo may need to fund renewal and maintenance works from other sources which could have an effect on the resources available to that AssetCo to make payments under its On-Loan and, therefore, the Issuer's ability to make interest payments and meet redemptions on the Notes.

### **Risks associated with limited investigation of title to properties**

Investigation of AssetCo's title to its leasehold interest in each Project has been limited to the preparation of a certificate of title by Addleshaw Goddard LLP. No updated investigation has been undertaken of the Partner University's title to its underlying freehold or long leasehold interest out of which the headlease has been granted. Accordingly there is a risk that there are unknown title restrictions which could affect the operation and use of the accommodation for its intended purpose.

## **RISKS RELATING TO THE FINANCIAL STRUCTURE**

### **The AssetCos' ability to meet their obligations in respect of the On-Loan Agreements will depend primarily on the performance of their businesses and they may not be able to generate sufficient cash flows to meet such obligations**

Each AssetCo's ability to meet its scheduled payment obligations under its On-Loan Agreement will depend upon the financial condition and performance of such AssetCo's business and their general financial condition and operating performance, which in turn will be affected by the university accommodation sector, general economic conditions and by financial, competitive, regulatory and other factors beyond their control. Future performance of an AssetCo's business may not be similar to the performance results of operations to date described in this Base Prospectus.

### **Termination of the Project Agreement**

If an AssetCo becomes insolvent or fails to comply with its obligations under the Project Agreement, a Partner University may (subject to the terms of the applicable University Direct Agreement) terminate the Project Agreement. If notice to terminate a Project Agreement is given to an AssetCo this will initially trigger the provisions of the University Direct Agreement which suspends the operation of the termination



notice and gives the Issuer the opportunity to procure that a representative steps into AssetCo's obligations under the Project, but it will be required to discharge any outstanding liability of the AssetCo (financial or otherwise) as a condition of that step in. If the Issuer chooses not to exercise step in rights or does not remedy the failures which gave rise to the termination notice, the Project Agreement may terminate as provided for in the termination notice.

In relation to those Projects where the Partner University pays compensation upon such termination, the Partner University may seek to pay such compensation by way of instalments rather than a lump sum.

In those cases where the Partner University is not obliged to pay compensation upon such termination, the AssetCo or the Issuer would remain entitled to receive rents and profits from the exploitation of the accommodation but would not have the benefit of the Partner University obligations to market and allocate the accommodation, assume credit and void risk, maintain the restrictive covenant or collect rents. Further information on the termination provisions applicable to the Project Agreement in respect of each AssetCo are set out in the section entitled "*The AssetCos – AssetCo Specific Summaries*".

**AssetCos are exposed to the risk that a Partner University may not be able to pay compensation on termination, may choose not to terminate on an AssetCo Event of Default or that the amount of any compensation on termination paid by a Partner University is insufficient**

For those Projects where there is a compensation on termination regime, the Partner University may elect not to terminate for an AssetCo Event of Default if it is unable to pay the required compensation amount. In such circumstances, the Project would continue and the AssetCo would still be required to make the accommodation available to students of the Partner University but may be unable to utilise the broader occupier base it would have access to if the Project Agreement were terminated and it retained its headlease interest. Likewise, if an AssetCo terminates as a result of a Partner University default the AssetCo is at risk that the Partner University is unable to pay the compensation amount. If a Partner University fails to pay compensation, the AssetCo would retain its interest in the headlease and continue to let the accommodation until such time as either the Partner University was in a position to pay the compensation or all liabilities under the On-Loans were discharged in full.

If a Partner University is required to pay compensation in respect of a termination which arises as a result of a default by an AssetCo under the Project Document and related documentation in relation to the Project, the amount of such compensation would be calculated based on the net present value of future income and may be subject to a number of deductions being made, in particular in respect of any rectification costs incurred in relation to the relevant property. Accordingly, the amount of such compensation payment to the relevant AssetCo may be insufficient to discharge its liabilities to the Issuer under its On-Loan and associated hedging transactions and therefore may also be insufficient for the Issuer to pay the corresponding amounts due on the Notes. In the case of the Project for Nottingham Trent University, but not any other Project where compensation is payable on termination, the amount of compensation required to be paid if the Project Documents are terminated following an AssetCo default is equal to the principal amount outstanding (plus accrued interest) of the relevant On-Loan and amounts payable under the associated hedging transactions (a "**senior debt floor**").

If a Partner University is required to pay compensation (i) in respect of a termination which arises as a result of a breach by such Partner University of the Project documentation or (ii) as a result of the Partner University voluntarily electing (if permitted under the relevant Project Agreement and related documentation) to terminate the Project, the amount of compensation on termination payable in the case of each Project would be subject to a senior debt floor. However, in respect of any payment of compensation on termination the Partner University is permitted to make certain deductions, in particular in relation to amounts which are either credited to bank accounts opened in the name of such AssetCo, credited to bank accounts opened on behalf of such AssetCo by the Issuer or ParentCo and/or credited to bank accounts of ParentCo and/or the Issuer to the extent funded from amounts received from such AssetCo.

**The Monitoring Adviser will make certain binding decisions without reference to Issuer Secured Creditors or on the basis of negative consent**

If an AssetCo, ParentCo or the Issuer wishes to propose any amendment, waiver or consent in connection with any AssetCo Monitored Activity, the AssetCo, ParentCo or the Issuer as applicable (the "**Relevant Proposer**") shall first notify the Issuer Security Trustee and the Monitoring Adviser of the terms of such

proposed amendment, waiver or consent request (the "**MA Proposal Request**"). The Monitoring Adviser shall notify the Issuer Security Trustee of its recommendation (or, in the case of an MA Direction Matter, direction) to approve or reject the MA Proposal Request and, if applicable, any conditions to such approval (the "**Monitoring Adviser Recommendation**"). Accordingly decisions relating to MA Direction Matters which are binding on the Issuer Secured Creditors (subject to approval by the Security Trustee that they are not contrary to law or regulations and would not impose any more onerous obligations on the Security Trustees without adequate indemnification and/or security or pre-funding to its satisfaction) will be made by the Monitoring Adviser (by instructing the Issuer Security Trustee) on behalf of the Issuer Secured Creditors without reference to any votes or other approval or rejection of the Proposal Request by the Issuer Secured Creditors themselves. ISC Recommendation Matters will be approved or rejected based on the Monitoring Adviser Recommendation unless on the expiry of the ISC Voting Period (which will be between 10 and 15 Business Days, depending on the nature of the Proposal Request) the Issuer Security Trustee has received Majority Creditor votes from Issuer Secured Creditors, who represent at least 25 per cent. of Qualifying Issuer Secured Debt, rejecting the Monitoring Adviser Recommendation. Only ISC Direction Matters will be subject to prior approval by the Majority Creditors representing at least 25 per cent. (or 50 per cent. in relation to any proposal to terminate or replace the Monitoring Adviser) of Qualifying Issuer Secured Debt. There is a risk that the Noteholders may disagree with a direction or Monitoring Adviser Recommendation made by the Monitoring Adviser which directions or (unless sufficient Issuer Secured Creditors vote to reject such Monitoring Adviser Recommendation) Monitoring Adviser Recommendation, as applicable, will be binding on such Noteholder, the other Issuer Secured Creditors and the Obligors. See the section entitled "*Description of the Issuer Transaction Document – Common Terms Agreement – Monitoring Services Agreement*" for further details.

**The Monitoring Adviser is reliant on the provision of information to it and, in the absence of sufficient information, may decline to act or make conditional recommendations**

The Monitoring Adviser is reliant on the provision of information from the Obligors and advisers in relation to the performance of its monitoring activities including the decision making process referred to above. In the absence of sufficient information or advice, the Monitoring Adviser may decline to act in relation to a MA Proposal Request or otherwise and may provide a conditional Monitoring Adviser Recommendation. See the section entitled "*Description of the Issuer Transaction Document – Monitoring Services Agreement*" for further details.

**Failure to replace the Monitoring Adviser may have an adverse effect on the decision making processes in relation to the Notes and, accordingly, the business of the AssetCos**

If the appointment of the Monitoring Adviser is terminated at any time and a replacement monitoring adviser has not been appointed by the effective date of such termination, any MA Proposal Request which subsequently must be approved or rejected would be subject, prior to the appointment of a replacement Monitoring Adviser, to voting by Issuer Secured Creditors. There can be no assurance that in those circumstances that voting by Issuer Secured Creditors would constitute an effective decision making process in relation to such matters and accordingly the business of the AssetCos may be adversely affected. See the section entitled "*Description of the Issuer Transaction Document – Monitoring Services Agreement*" for further details.

**Monitoring of compliance with warranties and covenants and the occurrence of Monitoring Trigger Events, Loan Event of Defaults or Potential Loan Event of Defaults**

Each of the Trustees and the Monitoring Adviser will be entitled to assume that no Issuer Event of Default, AssetCo Event of Default, Senior DSCR Enforcement Event, Monitoring Trigger Event or Lock-Up Event has occurred which is continuing and none of the Trustees will itself be responsible for monitoring the activities of the Issuer Obligors or AssetCos in anyway.

Accordingly, it will fall to the Obligors themselves to make these determinations, subject to the terms of the Monitoring Services Agreement. In this context, a number of these representations, warranties, covenants, undertakings and Events of Default will be qualified by reference to a relevant fact, matter or circumstance having a Material Adverse Effect. Whilst the criteria set out in the definition of "Material Adverse Effect" are on their face objective, it will fall to the Obligors themselves to determine whether or not the relevant fact, matter or circumstance falls within any of the criteria and, as such, the determination will be subjective for so long as such determination is made by the Obligors.

However, the Common Terms Agreement will require the Obligors to inform the relevant Security Trustees or the Issuer Note Trustee as applicable of the occurrence of any Issuer Event of Default, AssetCo Event of Default, Senior DSCR Enforcement Event, Monitoring Trigger Event or Lock-Up Event promptly upon becoming aware of the same. In addition, the Obligors are required to confirm in each Investor Report and each Compliance Certificate, each of which will be delivered to, among other recipients, the Issuer Security Trustee and the Issuer Note Trustee whether or not any Issuer Event of Default, AssetCo Event of Default, Senior DSCR Enforcement Event, Monitoring Trigger Event or Lock-Up Event has occurred (and, if one has, what action is being, or proposed to be, taken to remedy it). Failure promptly to identify a Issuer Event of Default, AssetCo Event of Default, Senior DSCR Enforcement Event, Monitoring Trigger Event or Lock-Up Event could have a material adverse effect on Noteholders' abilities to recover the full amount under the Notes.

### **Modifications, waivers and consents in respect of Transaction Documents**

#### *Power of Issuer Security Trustee and Issuer Note Trustee to approve amendments without Noteholder consent*

The relevant Obligors, may request the Issuer or the Issuer Security Trustee as applicable to agree to any modification to, or to give its consent to any event, matter or thing relating to, or grant any waiver in respect of, the Transaction Documents without any requirement to seek the approval of any Issuer Secured Creditor or any of their Secured Creditor Representatives in respect of a Discretion Matter.

The Security Trustees are entitled to exercise discretion to approve a Discretion Matter if in the opinion of the relevant Security Trustee, approval of the Relevant Proposal (a) is required to correct a manifest error or is of a formal, minor or technical nature or (b) is not materially prejudicial to the interests of Issuer Secured Creditors (where "materially prejudicial" means that such modification, consent or waiver would have a material adverse effect on the ability of each Obligor to perform its payment obligations to the Secured Creditors under the Issuer Transaction Documents). The relevant Security Trustees are not obliged to exercise its discretion and, if it chooses not to do so, the voting category selection procedures set out in the Common Terms Agreement and the Issuer Deed of Charge and described in the section "*Description of the Issuer Transaction Documents*" below, will apply.

The Issuer may also request the Issuer Note Trustee to agree to any modification to, or to give its consent to any event, matter or thing, or grant any waiver in respect of the Issuer Transaction Documents (subject as provided in the Common Terms Agreement and the Issuer Deed of Charge) without the consent or sanction of the Noteholders, the Receiptholders or the Couponholders of any Tranche or (subject as provided below) any other Issuer Secured Creditor.

The Issuer Note Trustee may (subject to certain conditions and to the rights of any other Issuer Secured Creditors, if applicable), without the consent or sanction of the Noteholders concur with, or instruct the Issuer Security Trustee to concur with, the Issuer or any other relevant parties in making (a) any modification to the Conditions or the Issuer Transaction Documents (subject as provided in the Issuer Deed of Charge) or any other document to which it is a party or in respect of which the Issuer Security Trustee holds security if, in the opinion of the Issuer Note Trustee, such modification is made to correct a manifest error or is of a formal, minor or technical nature or (b) any modification (other than in respect of a Basic Terms Modification) to the Conditions or any Issuer Transaction Document (subject as provided in the Issuer Deed of Charge) or other document to which it is a party or in respect of which the Issuer Security Trustee holds security if the Issuer Note Trustee is of the opinion that such modification is not materially prejudicial (where "**materially prejudicial**" means that such modification, consent or waiver would have a material adverse effect on the ability of the Issuer Obligors to perform their respective payment obligations to the Issuer Secured Creditors under the Issuer Transaction Documents) to the interests of the Noteholders **provided that** to the extent such modification under (b) above relates to an Entrenched Right, each of the affected Issuer Secured Creditors has given its prior written consent.

The Issuer Note Trustee may (subject to certain conditions and to the rights of any other Issuer Secured Creditors, if applicable), without prejudice to its rights in respect of any subsequent breach or Issuer Event of Default, from time to time and at any time but only if and in so far as in its opinion the interests of the Noteholders shall not be materially prejudiced thereby, waive or authorise (or instruct the Issuer Security Trustee to waive or authorise) any breach or proposed breach by the Issuer of any of the covenants or provisions contained in the Conditions or any Issuer Transaction Document (other than a Common Document) to which it is a party or in respect of which it holds security or determine that any

event which would otherwise constitute an Issuer Event of Default shall not be treated as such for the purposes of the Note Trust Deed **provided that** to the extent such event, matter or thing relates to an Entrenched Right, each of the affected Issuer Secured Creditors has given its prior written consent. There can be no assurance that any modification, consent or waiver in respect of the Transaction Documents will be favourable to all Noteholders. Such changes may be detrimental to the interests of some or all Noteholders, even if the ratings of such Notes are affirmed.

### **Hedging risks**

The Issuer and the AssetCos will seek to manage the risks associated with the mismatch between its RPI linked income and fixed rate Note obligations through entering into Revenue Swaps, removing the sensitivity to inflation of a proportion of the projected revenue. The hedging may be amended during the life of the Notes if the projected revenue stream is adversely impacted to prevent over-hedging. For more details see the section entitled "*Description of the Issuer Transaction Documents – Common Terms Agreement – Hedge Agreements*" below. The Issuer is required to hedge at least 80 per cent. and not more than 100 per cent. of any interest rate exposure as a result of issuing any nominal floating rate Notes and to fully hedge any non-sterling exposure on Notes.

However, there can be no assurance that the Hedge Agreements will adequately address the hedging risks that the Issuer will face from time to time. In addition, the Issuer may find itself over or under hedged, which could lead to financial stress.

The Issuer may be left exposed to inflation rate risk in the event that there is an early termination of any Hedge Agreement. A Hedge Agreement may also be terminated in certain circumstances. If a Hedge Agreement is terminated and the Issuer is unable to find a replacement hedge counterparty, the funds available to the Issuer may be insufficient to meet its obligations in full as a result of adverse fluctuations in the rate of inflation or the making of any termination payment to the counterparty.

### **Leverage risk**

The Obligors will have, following the Initial Issuance Date, a substantial amount of outstanding indebtedness with significant debt service requirements. This significant leverage could have important consequences including the risk of an Obligor failing to generate sufficient revenue to meet debt service payments in full and increasing the Obligors vulnerability to a downturn in their business or the student accommodation sector which may, in turn, lead to the occurrence of a Senior DSCR Enforcement Event, an Issuer Event of Default or an AssetCo Event of Default.

## **TAX RISKS**

### **Taxation of the Issuer**

#### **Securitisation Company tax regime**

The Issuer has been advised that it should fall within the UK permanent regime for the taxation of securitisation companies (as introduced by the Taxation of Securitisation Companies Regulations 2006 SI 2006/3296 (the "**Securitisation Regulations**")), and as such should be taxed only on the amount of the small cash profit which it is entitled to retain under the Transaction Documents. Investors should note, however, that the Securitisation Regulations are in short form and advisers rely significantly upon guidance from the United Kingdom's tax authorities when advising on the scope and operation of the Securitisation Regulations, including as to whether a company falls within the new regime. If the Issuer does not (or subsequently will not) satisfy the conditions of the Securitisation Regulations, then depending on the accounting treatment, the Issuer's profits or losses for tax purposes might be different from its cash position and there might be a risk of the Issuer incurring unfunded tax liabilities. In addition, the interest paid on the Notes could well be disallowed for United Kingdom corporation tax purposes which could cause a significant divergence between the cash profits and the taxable profits in the Issuer. Any unforeseen taxable profits in the Issuer could have an adverse affect on its ability to meet its payment obligations under the Notes.

### **Withholding Tax in respect of the Notes**

In the event that any withholding or deduction for or on account of United Kingdom tax is required to be made from payments in respect of the Notes (as to which see the section entitled "*Tax Considerations –*

UK Withholding Tax") neither the Issuer nor any other person will be obliged to pay any additional amounts to Noteholders.

If such a withholding or deduction is required to be made for or on account of any United Kingdom tax, the Issuer shall use its reasonable endeavours to mitigate the effects of such withholding or deduction. If the Issuer is unable to mitigate effectively or if to do so would not avoid such withholding or deduction then on any Note Payment Date pursuant to and in accordance with Condition 7(e)(ii) (*Redemption for Taxation Reasons*) the Issuer may redeem (without premium or penalty) all (but not some only) of the relevant series Notes (in each case) at their Principal Amount Outstanding, together with accrued but unpaid interest on the Principal Amount Outstanding (each adjusted, in the case of Indexed Notes, in accordance with Condition 7(b) (*Application of Index Ratio*)).

#### **Withholding Tax in respect of the On-Loan Agreements**

The Issuer has been advised that, under current law, all payments to be made to it by the AssetCos pursuant to the On-Loan Agreements can be made without withholding or deduction for or on account of any United Kingdom tax. In the event that any such withholding or deduction for or on account of United Kingdom tax is required to be made from any payment due from an AssetCo to the Issuer under an On-Loan Agreement the amount to be paid will be increased to the extent necessary to ensure that, after withholding or deduction has been made, the amount received by the Issuer is equal to the amount that the Issuer would have received had such withholding or deduction not been required to be made. If an AssetCo does not have sufficient funds to enable it to make increased payments to the Issuer, the Issuer's ability to make timely payments of interest and principal under the Notes would be adversely affected.

#### **Withholding in respect of the Issuer Hedge Agreements**

The Issuer has been advised that, under current law, all payments to be made by and to it under the Issuer Hedge Agreements can be made without withholding or deduction for or on account of any United Kingdom tax. In the event that a withholding or deduction for or on account of tax is required to be made from any payment due from a Hedge Counterparty to the Issuer under an Issuer Hedge Agreement, then the terms of that Issuer Hedge Agreement will provide that the amount to be paid by the Hedge Counterparty will, in certain circumstances, be increased to the extent necessary to ensure that, after the withholding or deduction has been made, the amount received by the Issuer is equal to the amount that the Issuer would have received had such withholding or deduction not been required to be made.

If any Hedge Counterparty is obliged to make such an increased payment, the terms of that Issuer Hedge Agreement will provide that it may, if such deduction or withholding is as a result of a change in law (or the application or interpretation thereof), terminate the relevant Issuer Hedge Agreement (subject to such Hedge Counterparty's obligation to use its reasonable endeavours to transfer its rights and obligations under such Issuer Hedge Agreement to another office or third party swap provider such that payments made by or to that other office or third party swap provider under such Issuer Hedge Agreement can be made without any withholding or deduction for or on account of tax). In addition, if a Hedge Counterparty receives payments from the Issuer under an Issuer Hedge Agreement subject to a withholding or deduction for or on account of Tax, as a result of a change in law (or the application or interpretation thereof) that Hedge Counterparty may also terminate the relevant Issuer Hedge Agreement. If any Issuer Hedge Agreement is terminated, the Issuer may be unable to meet its payment obligations under the Notes in full, with the result that the Noteholders may not receive all of the payments of principal and interest due to them in respect of the Notes. In addition, the termination of any Issuer Hedge Agreement may result in a Hedge Termination Amount being due to the relevant Hedge Counterparty.

For further details on the Issuer Hedge Agreements that the Issuer may enter into from time to time in accordance with the Hedging Policy, see the section entitled "*Issuer Transaction Documents – Common Terms Agreement – Hedging Policy*".

#### **Withholding in respect of AssetCo Hedge Agreements**

The Issuer has been advised that, under current law, all payments to be made to it by the AssetCos pursuant to the AssetCo Hedge Agreements can be made without withholding or deduction for or on account of any United Kingdom tax. In the event that a withholding or deduction for or on account of tax is required to be made from any payment due from an AssetCo to the Issuer under an AssetCo Hedge Agreement, then (under the terms of that AssetCo Hedge Agreement) the amount to be paid will, in

certain circumstances, be increased to the extent necessary to ensure that, after the withholding or deduction has been made, the amount received by the Issuer is equal to the amount that the Issuer would have received had such withholding or deduction not been required to be made. If an AssetCo is obliged to make such an increased payment, the terms of the AssetCo Hedge Agreement will provide that, if such deduction or withholding is as a result of a change in law (or the application or interpretation thereof), the AssetCo may terminate the relevant AssetCo Hedge Agreement. If an AssetCo does not have sufficient funds to enable it to make increased payments to the Issuer, or if an AssetCo Hedge Agreement is terminated, the Issuer's ability to make timely payments of interest and principal under the Notes will be adversely affected. For further details on the AssetCo Hedge Agreements, see the section entitled "*Issuer Transaction Documents – Common Terms Agreement – Hedging Policy*".

### **Taxation of the AssetCos**

Under current United Kingdom taxation law and practice, rental income received by the AssetCos will constitute taxable income for United Kingdom corporation tax purposes. In general, interest costs of the AssetCos associated with their borrowing under the On-Loan Agreements should, under current law and practice, be deductible, broadly in accordance with their accounting treatment, from that taxable income in computing the liability to corporation tax of those companies. However, repayment of the principal amounts borrowed by the AssetCos cannot be deducted. As a consequence, unless the taxable income of the AssetCos can itself be reduced or eliminated as a result of the availability of other tax reliefs, part of the rental income received by the AssetCos which would otherwise be available to repay principal will be required to be applied to discharge the corporation tax liabilities, resulting in a possibility of the Issuer having insufficient resources to meet its obligations under the Notes. The directors of the AssetCos believe that, on the basis of the planned activities of the UPP Group, there should be sufficient rental receipts on an after tax basis to enable the AssetCos to meet their payment obligation under the On-Loan Agreements in full.

As noted below (see the risk factor entitled "*Change of law*" below), there can be no assurance that United Kingdom taxation law and practice will not change in a manner (including, for example, an increase in the rate of corporation tax) that would adversely affect the ability of the AssetCos to repay amounts of principal under the On-Loan Agreements. If, in turn, the Issuer does not receive all amounts due from AssetCos under the On-Loan Agreements, the Issuer may not have sufficient funds to enable it to meet its payment obligations under the Notes.

### **Reorganisation – Contingent liabilities**

Prior to the issue of the Notes by the Issuer certain AssetCos will acquire certain capital assets (including interests in Projects) as part of a corporate reorganisation. In particular, as part of such reorganisation, certain business and asset transfers were made by companies within the UPP Group (being subsidiaries of UPP (Alcuin) Limited and UPP (Plymouth Three) Limited) to the AssetCo that was such subsidiary's immediate parent company. As a consequence, the AssetCos that acquired the relevant assets may have a contingent liability to pay both United Kingdom corporation tax on chargeable gains and stamp duty land tax, which liability will become an actual liability to pay corporation tax, stamp duty or stamp duty land tax if (broadly) the AssetCo ceases to be a member of the relevant tax group within a period specified by statute. Were such a contingent liability to pay tax to become an actual liability to pay tax, the discharge of that tax liability could adversely affect the ability of the relevant AssetCo to make payments under the On-Loan made to it, thereby potentially affecting the ability of the Issuer to make timely payment on the Notes. In the Tax Deed of Covenant, each of the Sponsor, HoldCo and the Parent has undertaken that no steps will be taken by it which could reasonably be expected to give result in such contingent liabilities becoming an actual liability to tax.

### **IFRS – AssetCos**

The UK corporation tax treatment of the AssetCos (particularly in relation to the Hedging Transactions entered into pursuant to the AssetCo Hedge Agreements) depends to a large extent on the accounting treatment applicable to them. The AssetCos currently adopt an accounting standard in preparing their accounts that does not include FRS 26 or IFRS ("**new GAAP**"), and have been advised that under such accounting standard they will not be required to recognise for accounting purposes annual fair value movements in respect of the AssetCo Hedge Agreements to which they will be party. However, it is expected that the AssetCos will at some stage choose or be required to adopt new GAAP. Under new GAAP as it currently provides, the AssetCos would be required to recognise profits and losses reflecting

movements in the fair value of the Hedging Transactions under the AssetCo Hedge Agreements for accounting purposes (and accordingly for tax purposes unless tax legislation provides otherwise). Such accounting profits and losses bear little or no relationship to the cash position. As a result, if the AssetCos adopted new GAAP they could suffer an unpredictable tax exposure to movements in the fair value of the Hedging Transactions.

However, if the AssetCos currently accounted for the Hedging Transactions on the basis of new GAAP, as a result of the application of the Disregard Regulations, in determining its taxable profits for corporation tax purposes arising from it being party to an AssetCo Hedge Agreement, in respect of which fair value movements are recognised under new UK GAAP, an AssetCo should be able to disregard the potential impact of such fair value movements and instead continue to compute such profits on a basis that is intended to be similar to the position under UK GAAP as at December 2004 (as the Disregard Regulations are intended to preserve for tax purposes the application of "old UK GAAP", namely UK GAAP without the adoption of FRS 26, which should be similar to the position as currently applied by the AssetCos).

The expectation is that this treatment under the Disregard Regulations will still be available when the AssetCos adopt new GAAP. It should be noted that if the AssetCos were not able to apply the Disregard Regulations, or if fair value profits and losses arose to the AssetCos other than in relation to the AssetCo Hedge Agreements, then in accounting periods following the adoption by an AssetCo of new GAAP, that AssetCo could recognise profits or losses for tax purposes as a result of the application of new GAAP which could have tax effects not contemplated in the cashflows and as such adversely affect the Noteholders. This could adversely affect the ability of the AssetCos to meet their liabilities to the Issuer under the On Loan Agreements. In turn, if the Issuer does not receive all amounts due from the AssetCos under the On Loan Agreements, the Issuer may not have sufficient funds to enable it to meet its payment obligations under the Notes.

As used in this Prospectus, "**Disregard Regulations**" means the Loan Relationships and Derivative Contracts (Disregard and Bringing into Account of Profits and Losses) Regulations 2004 (SI 2004/3256).

#### **Change in VAT treatment may not be passed through to rents**

Under current United Kingdom taxation law and practice, the supply of student accommodation is generally exempt from VAT, so whilst the rental income does not attract VAT, this restricts the recoverability of VAT incurred by each AssetCo. Each AssetCo assumes a certain level of irrecoverable VAT based on the current law and practice but there is a risk that a change in relevant legislation or practice (for example the current treatment of arrangements relating to the AssetCos' employees) could increase the amount of irrecoverable VAT incurred by each AssetCo. The AssetCos may not be able to recover all of the cost of such irrecoverable VAT through increases in rents charged under the relevant Project Documents.

#### ***U.S. Foreign Account Tax Compliance Withholding***

The non-U.S. financial institutions through which payments on the Notes are made may be required to withhold U.S. tax at a rate of 30 per cent. on all, or a portion of, payments made after 31 December 2016 in respect of (i) any Notes issued or materially modified on or after 1 January 2014 or, if later, the date that is six months after the date on which the final regulations applicable to "foreign passthru payments" are filed in the Federal Register and (ii) any Notes that are treated as equity for U.S. federal tax purposes, whenever issued, pursuant to the foreign account tax compliance provisions of the U.S. Hiring Incentives to Restore Employment Act of 2010 ("**FATCA**"). This withholding tax may be triggered if (i) the Issuer is treated as a foreign financial institution ("**FFI**") (as defined in FATCA) which enters into and complies with an agreement with the U.S. Internal Revenue Service ("**IRS**") to provide certain information on its account holders (making the Issuer a "**Participating FFI**"), (ii) the payments it makes are classified as foreign passthru payments, and (iii) either (a) an investor does not provide information sufficient for the relevant Participating FFI to determine whether that investor is subject to withholding under FATCA or (b) any FFI to or through which payment on such Notes is made is not a Participating FFI or otherwise exempt from FATCA withholding. As indicated above, the term "foreign passthru payments" has not yet been defined and it is unclear whether or in what situation payments on the Notes may be considered foreign passthru payments.

The application of FATCA to interest, principal or other amounts paid with respect to the Notes is not clear. In particular, the United Kingdom has entered into an intergovernmental agreement with the United States to help implement FATCA for certain entities in the United Kingdom. The impact of such an agreement on the Issuer and the Issuer's reporting and withholding responsibilities under FATCA is currently unclear. The Issuer may be required to report certain information on its U.S. account holders (if any) to the government of the United Kingdom in order (i) to obtain an exemption from FATCA withholding on payments it receives and/or (ii) to comply with United Kingdom law. It is not yet certain how the United States and the United Kingdom will address withholding on "foreign passthru payments" (which may include payments on the Notes) or if such withholding will be required at all.

If an amount in respect of U.S. withholding tax were to be deducted or withheld from interest, principal or other payments on the Notes as a result of FATCA, none of the Issuer, any paying agent or any other person would, pursuant to the Terms and Conditions of the Notes, be required to pay additional amounts as a result of the deduction or withholding. As a result, if FATCA withholding applies to payments on the Notes, investors may receive less interest or principal than they would otherwise receive.

The application of FATCA to Notes issued or materially modified on or after 1 January 2014, or, if later, the date that is six months after the date on which the final regulations applicable to "foreign passthru payments" are filed in the Federal Register (or where issued, in the case of Notes treated as equity for U.S. federal tax purposes) may be addressed in a supplement to this Prospectus, as applicable.

FATCA is particularly complex and its application to the Issuer, the Notes and the holders of Notes is uncertain at this time. Each holder of Notes should consult its own tax adviser to obtain a more detailed explanation of FATCA and advice on how FATCA might affect it in its particular circumstances.

#### **EU Savings Directive**

Under EC Council Directive 2003/48/EC on the taxation of savings income (the "**EU Savings Directive**"), each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State. However, for a transitional period, Austria and Luxembourg are required to apply a withholding system in relation to such payments, deducting tax at a rate of 35 per cent. unless they elect otherwise. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries and certain dependent or associated territories of certain Member States have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

The European Commission has proposed certain amendments to the EU Savings Directive, which may, if implemented, amend or broaden the scope of the requirements described above. Investors who are in any doubt as to their position should consult their professional advisers.

#### **INSOLVENCY CONSIDERATIONS**

##### **Floating charges over the assets that secure the Notes will be subject to rights of third parties in certain circumstances**

The Issuer Obligor Security, AssetCo Security and debenture granted by UPP (Broadgate Park) Limited include floating charges. On insolvency, certain third party claims against the companies that have granted the floating charges would have priority over the claims secured by the floating charges. In particular, the expenses of any winding up, liquidation or administration and certain claims of employees as preferred creditors would rank ahead of the claims secured by the floating charges. In addition, any administrative receiver, administrator or liquidator appointed in respect of a company that has granted a floating charge would be required to set aside a prescribed percentage of the moneys realised upon



enforcement of that floating charge up to a maximum amount of £600,000 for application in or towards the claims of the company's unsecured creditors.

The assets which are subject to the floating charges may be disposed of in certain circumstances without the consent of the Issuer Obligors, the AssetCo Security Trustee or the Issuer Security Trustee (as the case may be). In particular, in such circumstances, an administrator has the right to dispose of such assets free of the security interests constituted by the floating charges. It is also the case that by their nature floating charges (which are intended to provide a means whereby security can be taken over fluctuating collections of assets) leave the companies that have granted them free to deal with the charged assets in the ordinary course of business until the security is enforced, with the result that the assets can be sold in the ordinary course of business to (or subjected to fixed charges in favour of) third parties free and clear of the security interests constituted by the floating charges.

#### **Appointment of administrative receiver**

The Insolvency Act restricts the right of the holder of a floating charge to appoint an administrative receiver (unless the security was created prior to 15 September 2003 or an exception applies) and instead give primacy to collective insolvent procedures (in particular, administration).

The Insolvency Act contains provisions that allow for the appointment of a receiver in relation to certain transactions in the capital markets. The relevant exception (the "**capital markets exception**") provides that the appointment of an administrative receiver is not prohibited if it is made in pursuance of an agreement which is or forms part of a capital market arrangement (as defined in the Insolvency Act) under which a party incurs or, when such agreement was entered into was expected to incur, a debt of at least £50,000,000 and if the arrangement involves the issue of capital market investment (also defined in the Insolvency Act), but generally rated, listed or traded debt instruments). Whilst there is as yet no case law on how the capital markets exception will be interpreted and, accordingly, it is not possible to say whether in the circumstances of this financing structure, where the floating charges are created to support multi creditor classes, it would be possible to appoint an administrative receiver to each AssetCo, UPP (Broadgate Park) Limited or any Issuer Obligor. Were it not to be possible to appoint an administrative receiver in respect of one or more of the Issuer Obligors or an AssetCo, they would in all likelihood be subject to administration if they were to become insolvent.

The UK Secretary of State may, by secondary legislation, modify the exceptions to the prohibition on appointing an administrative receiver and/or provide that the exception shall cease to have effect. No assurance can be given that any such modification or provision in respect of the capital market exception, or its ceasing to be applicable to the transactions described herein, will not be detrimental to the interests of the Noteholders.

## **SECURITY RISKS**

#### **Recharacterisation of fixed security interest**

There is a possibility that a court could find that the fixed security interests expressed to be created pursuant to the Security Documents could take effect as floating charges as the description given to them as fixed charges is not determinative.

Where the chargor is free to deal with the secured assets without the consent of the chargee, the Court would be likely to hold that the security interest in question constitutes a floating charge, notwithstanding that it may be described as a fixed charge.

Whether the fixed security interests will be upheld as fixed security interests rather than floating security interests will depend, among other things, on whether the AssetCo Security Trustee or, as the case may be, the Issuer Security Trustee has the requisite degree of control over the chargor's ability to deal in the relevant assets and the proceeds thereof and, if so, whether such control is exercised by the AssetCo Security Trustee or, as the case may be, the Issuer Security Trustee in practice.

If the fixed security interests are recharacterised as floating security interests, the claims of (a) the unsecured creditors of the chargor in respect of that part of the chargor's net property which is ringfenced under the Insolvency Act 1986 and (b) certain statutorily defined preferential creditors of the chargor, would have priority over the rights of the AssetCo Security Trustee or the Issuer Security Trustee, as the

case may be, to the proceeds of enforcement of such security. As a result, the full amount of the proceeds of enforcement of the security may not be available to repay the Notes (as applicable).

A receiver appointed by the AssetCo Security Trustee or the Issuer Security Trustee would be obliged to pay preferential creditors out of floating charge realisations in priority to payments to the Issuer (in the case of each AssetCo) and in the case of the Issuer in priority to payments to the Issuer Secured Creditors (including the Noteholders), respectively. Under the Insolvency Act the only categories of preferential debts are certain amounts payable in respect of occupational pension schemes, employee remuneration and levies on coal and steel production.

On 6 April 2008, a provision in the Insolvency Act came into force which effectively reversed by statute the House of Lords' decision in the case of *Buchler & Another v. Talbot & Ors* [2004] UKHL 9. Accordingly, it is now the case that the costs and expenses of a liquidation (including corporation tax on capital gains) will be payable out of floating charge assets in priority to the claims of the floating charge-holder. In respect of certain litigation expenses of the liquidator only, this is subject to approval of the amount of such expenses by the floating charge-holder (or, in certain limited circumstances, the court). If the AssetCo Security Trustee or the Issuer Security Trustee (as applicable) were prohibited from appointing an administrative receiver by virtue of the amendments made to the Insolvency Act by the Enterprise Act 2002, or failed to exercise its right to appoint an administrative receiver within the relevant notice period and the chargor (in respect of which an administrative receiver is unlikely to be able to be appointed) were to go into administration, the expenses of the administration would also rank ahead of the claims of the AssetCo Security Trustee or the Issuer Security Trustee as floating charge holder (as applicable). Furthermore, in such circumstances, the administrator would be free to dispose of floating charge assets without the leave of the court, although the AssetCo Security Trustee or the Issuer Security Trustee (as the case may be) would have the same priority in respect of the property of the company representing the floating charge assets disposed of, as it would have had in respect of such floating charge assets. This disposal could adversely affect the Noteholders.

Section 245 of the Insolvency Act provides that, in certain circumstances, a floating charge granted by a company may be invalid in whole or in part. If a floating charge is held to be wholly invalid then it will not be possible to appoint an administrative receiver of such company and, therefore, it will not be possible to prevent the appointment of an administrator of such company. If a liquidator or administrator is appointed to the chargor within a period of two years (the "**relevant time**") commencing upon the date on which the chargor grants a floating charge, the floating charge granted by the chargor will be invalid pursuant to section 245 of the Insolvency Act except to the extent of the consideration received by the relevant chargor at the time of or after the creation of the floating charge. The Issuer Obligors will have received consideration (including, the subscription moneys for the Notes) and each AssetCo will have received consideration (including the initial drawing on the On-Loan Agreements). As such, during the relevant time the floating charge granted by the AssetCos will be valid to the extent of the amount of Notes issued by the Issuer and the floating charges granted by each AssetCo will be valid to the extent of the amount drawn and the On-Loan Agreements. However, such limitation on the validity of the floating charges will not of itself affect the ability of the Issuer Security Trustee to appoint an administrative receiver to the Issuer Obligors (other than the Sponsor) or the AssetCo Security Trustee in respect of each AssetCo. After the relevant time it will not be possible for the floating charges granted by each of applicable Issuer Obligor or each AssetCo to be invalidated under section 245 of the Insolvency Act.

#### ***Guarantees and security may constitute a transaction at an undervalue or preference***

A liquidator or administrator of a guarantor incorporated in England could apply to the court to unwind the issuance of its guarantee if such liquidator or administrator believed that issuance of such constituted a transaction at an undervalue. The Issuer believes that each guarantee described herein will not be a transaction at an undervalue and that each guarantee will be provided in good faith for the purposes of carrying on the business of each guarantor incorporated in England and its subsidiaries and that there are reasonable grounds for believing that the transactions will benefit each such guarantor. However, there can be no assurance that the provision of the guarantees will not be challenged by a liquidator or administrator or that a court would support the Issuer's analysis.

If the liquidator or administrator can show that any of the guarantors described herein have given a "preference" to any person within six months of the onset of liquidation or administration (or two years if the preference is to a "connected person") and, at the time of the preference, that guarantor was technically insolvent or became so as a result of the preferential transaction, a court has the power, among

other things, to void the preferential transaction. For these purposes, a company gives preference to a person if that person is one of the company's creditors (or a surety or guarantor for any of the company's debts or liabilities) and the company takes an action which has the effect of putting that person into a position which, in the event of the company going into insolvent liquidation, will be better than the position that person would have been in if that thing had not been done. The court may not make an order avoiding a preferential transaction unless it is satisfied that the company was influenced by a desire to put that person in a better position. This provision of English insolvency law may affect transactions entered into or payments made by any of the guarantors described herein during the relevant period prior to the liquidation or administration of each Issuer Obligor and each AssetCo.

In addition, if it can be shown that a transaction entered into by an English company was made for less than fair value and was made to shield assets from creditors, then the transaction may be set aside as a transaction defrauding creditors. Any person who is a "victim" of the transaction, and not just liquidators or administrators, may assert such a claim. There is no statutory time limit within which a claim must be made and the company need not be insolvent at the time of the transaction. The Issuer does not believe that any of the Issuer Obligors or AssetCos have entered into any transactions which may be regarded as being for less than fair value or to shield assets from their creditors.

***The AssetCo Security Trustee and the Issuer Security Trustee may be liable to third parties if recharacterised as a mortgagee in possession***

The AssetCo Security Trustee and Issuer Security Trustee may be deemed to be a mortgagee in possession if there is physical entry into possession of any real property, a step-in enforcement of security or an act of control or influence which may amount, in effect, to possession.

A mortgagee in possession may incur liabilities to third parties in nuisance and negligence and, under certain statutes (including environmental legislation), can incur the liabilities of a property owner. The AssetCo Security Trustee and Issuer Security Trustee have the absolute discretion, at any time, to refrain from taking any action under the Transaction Documents, including becoming a mortgagee in possession in respect of a certain property unless it is satisfied at that time that it is adequately indemnified and/or secured and/or prefunded in respect of all potential liabilities.

***Certain of the Issuer Obligors or AssetCos may fall within the 'small companies' threshold allowing them the right to seek a moratorium which could restrict creditors' ability to enforce security***

Certain small companies, as part of the company voluntary arrangement procedure in England, may seek court protection from their creditors by way of a moratorium (which will, amongst other things, restrict a creditor's ability to enforce security, prevent the appointment of an administrator or liquidator and restrict proceedings being commenced or continued against the company) for a period of up to 28 days, with the option for creditors to extend this protection for up to a further two months (although the UK Secretary of State for Business, Enterprise and Regulatory Reform may, by order, extend or reduce the duration of either period).

A "**small company**" is defined for these purposes by reference to whether the company meets certain tests contained in Section 382(3) of the Companies Act 2006, relating to a company's balance sheet, total turnover and average number of employees in a particular period. The position as to whether or not a company is a small company may change from period to period, depending on its financial position and average number of employees during that particular period. The UK Secretary of State for Business, Enterprise and Regulatory Reform may by regulations also modify the qualifications for eligibility of a company for a moratorium and may also modify the present definition of a small company. Accordingly, any of the Issuer Obligors or AssetCos may, at any given time, come within the ambit of the small companies provisions, such that any such Issuer Obligor or AssetCo may (subject to the exemptions referred to below) be eligible to seek a moratorium, in advance of a company voluntary arrangement.

Certain companies which qualify as small companies for the purposes of these provisions may, nonetheless, be excluded from being so eligible for a moratorium under the provisions of the Insolvency Act 1986 (Amendment No. 3) Regulations 2002. Companies excluded from eligibility for a moratorium include those which are party to a capital market arrangement, under which a debt of at least £10 million is incurred and which involves the issue of a capital market investment. The definitions of capital market arrangement and capital market investment are broad and are such that, in general terms, any company which is a party to an arrangement which involves at least £10 million of debt, the granting of security to

a trustee, and the issue of a rated, listed or traded debt instrument, is excluded from being eligible for a moratorium. The UK Secretary of State for Business, Enterprise and Regulatory Reform may modify the criteria by reference to which a company otherwise eligible for a moratorium is excluded from being so eligible.

Accordingly, the provisions described above will serve to limit the Issuer Security Trustee's and AssetCo Security Trustee's ability to enforce security to the extent that, first, any of the Issuer Obligor or AssetCos fall within the criteria for eligibility for a moratorium at the time a moratorium is sought; second, if the directors of any such Issuer Obligor or AssetCo seeks a moratorium in advance of a company voluntary arrangement; and, third, if any such Issuer Obligor or AssetCo is considered not to fall within the capital market exception (as expressed or modified at the relevant time) or any other applicable exception at the relevant time; in those circumstances, the enforcement of any security by the Issuer Security Trustee or AssetCo Security Trustee will be for a period prohibited by the imposition of the moratorium. In addition, the other effects resulting from the imposition of a moratorium described above may impact the transaction in a manner detrimental to the Noteholders.

## **OTHER LEGAL RISKS**

### **Change of law**

The structure of the issue of the Notes, the On-Loans and the ratings which are to be assigned to the Notes are based on English law, regulatory, accounting and administrative practice in effect as at the date of this Base Prospectus, and having due regard to the expected tax treatment of all relevant entities under United Kingdom tax law and the published practice of HMRC in force or applied in the United Kingdom as at the date of this Base Prospectus. There can be no assurance that English law, United Kingdom tax law, regulatory, accounting and administrative practice and HMRC's published guidance in force or applied at the date of this Base Prospectus will not change in a manner (including, for example, an increase in the rate of corporation tax) that would adversely affect the ability of an AssetCo to repay amounts of principal and interest under an On-Loan Agreement. Any shortfall in the amounts received by the Issuer due from each AssetCo under an On-Loan Agreement could have an adverse affect on the Issuer's ability to make payments to Noteholders.

## **RISKS RELATING TO THE ISSUER OBLIGORS, THE NOTES AND THE GUARANTEES**

### ***The Issuer is a special purpose financing company with limited resources***

The Issuer is a special purpose financing company with no business operations other than the issue of the Securities, the entering into of On-Loan Agreements, the entering into of Issuer Hedge Agreements and transactions ancillary thereto.

The ability of the Issuer to meet its obligations under the Notes and its ability to pay its operating and administrative expenses will depend primarily on the receipt by it of funds from the AssetCos under the On-Loan Agreements, the AssetCo Guarantees, receipt of amounts from the Hedging Counterparties under the Hedging Agreements and the receipt of interest from the Issuer Accounts.

Other than the foregoing, prior to enforcement of the AssetCo Security and the Issuer Obligor Security, the Issuer will not have any other funds available to it to meet its obligations under the Notes and its obligations ranking in priority to, or *pari passu* with, the Notes. If the resources described above cannot provide the Issuer with sufficient funds to enable the Issuer to make the required payments on the Notes, the Noteholders may incur a loss of interest and/or principal which would otherwise be paid in accordance with the terms of the Notes. If, following the exercise of all available remedies in respect of the On-Loans the Issuer Obligor Security and/or the AssetCo Security, the Issuer does not receive the full amount due from the Issuer Obligor and/or AssetCos, then the Noteholders (or the holders of certain classes of Notes) may receive on redemption an amount less than the face value of their Notes and the Issuer may be unable to pay in full, interest due on the Notes.

### **ParentCo and HoldCo are newly incorporated entities; the ParentCo Guarantee and HoldCo Guarantee are limited in recourse**

ParentCo and HoldCo are special purpose companies that have been newly incorporated in connection with the establishment of the Programme. Whilst each is a guarantor of the obligations of the Issuer in respect of the Notes (respectively, the "**ParentCo Guarantee**" and "**HoldCo Guarantee**") neither entity

generates significant operating revenue and will not generate any funds for payment of interest and repayments (or prepayments) of principal under the Notes, the ParentCo Guarantee or HoldCo Guarantee. It should also be noted that ParentCo Guarantee and HoldCo Guarantee are limited in recourse to the extent of the assets subject to the security granted by each of them as further described in the section entitled "*Security and Enforcement Rights – Security – Issuer Obligor Security*".

### **The Notes may not be a suitable investment for all investors**

Each prospective investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Base Prospectus or any applicable Final Terms or Drawdown Prospectus;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

In addition, the market value of the Notes may fluctuate for a number of reasons including as a result of prevailing market conditions, current interest rates and the perceived creditworthiness of the Issuer and the UPP Group. Any perceived threat of insolvency or other financial difficulties of the UPP Group or a less favourable outlook of the student accommodation industry in the UK could result in a downgrade of ratings and/or a decline in market value of the Notes.

### **Conflict of interest**

The Note Trust Deed requires the Issuer Note Trustee to have regard to the interests of all the Noteholders equally as regards all powers, trusts, authorities, duties and discretions of the Issuer Note Trustee as if they formed a single class (except where expressly required otherwise). However, the Note Trust Deed also requires that, in the event of a conflict of interest between the holders of two or more Tranches of Notes, it shall have regard to the interests of the holders of the Tranche of Notes then outstanding with the greatest Principal Amount Outstanding and will not have regard to the consequences of such exercise for the holders of other Tranches or Series or for individual Noteholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof.

### **Limited liquidity of the Notes; Absence of secondary market for the Notes**

There can be no assurance that a secondary market for the Notes will develop, or, if a secondary market does develop for any of the Notes issued after the date of this Base Prospectus, that it will provide any holder of Notes with liquidity or that any such liquidity will continue for the life of the Notes.

Consequently, any purchaser of the Notes must be prepared to hold such Notes for an indefinite period of time or until final redemption or maturity of the Notes.

The liquidity and market value at any time of the Notes are affected by, among other things, the market view of the credit risk of such Notes and will generally fluctuate with general interest rate fluctuations, general economic conditions, the condition of certain financial markets, international political events and the performance and financial condition of the Issuer and the UPP Group.

### **Rating of the Notes**

A rating is not a recommendation to buy, sell or hold securities and will depend, among other things, on certain underlying characteristics of the Programme.

The ratings assigned by the Rating Agencies to the Notes reflect only the views of the Rating Agencies and in assigning the ratings the Rating Agencies take into consideration the credit quality of the Issuer and structural features and other aspects of the Programme. There can be no assurance that such ratings will continue for any period of time or that they will not be reviewed, revised, suspended or withdrawn entirely by the Rating Agencies as a result of changes in, or unavailability of, information or if, in the Rating Agencies' judgment, circumstances so warrant. If any rating assigned to the Notes is lowered or withdrawn, the market value of the Notes may be reduced. Future events, including events affecting the UPP Group and/or circumstances relating to the student accommodation industry generally, could have an adverse impact on the ratings of the Notes.

### **Certain risks related to Indexed Notes**

The historical performance of an index should not be viewed as an indication of the future performance of such index during the term of any Indexed Notes. Accordingly, each potential investor should consult its own financial and legal advisers about the risk entailed by an investment in any Indexed Notes and the suitability of such Notes in light of its particular circumstances.

### **Certain risks related to Fixed/Floating Rate Notes**

Fixed/Floating Rate Notes may bear interest at a rate that converts from a fixed rate to a floating rate or from a floating rate to a fixed rate. Where the Issuer has the right to effect such a conversion, this will affect the secondary market and the market value of the Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing rates on its Notes.

### **Certain risks related to Notes issued at a substantial discount or premium**

The market values of securities issued at a substantial discount or premium to their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest bearing securities with comparable maturities.

### **Certain risks related to Fixed Rate Notes**

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Notes.

### **Changes to the risk weighted asset framework**

In Europe, the U.S. and elsewhere there is increased political and regulatory scrutiny of the assetbacked securities industry. This has resulted in numerous measures for increased regulation which are currently at various stages of implementation and which may have an adverse impact on the regulatory capital charge to certain investors in certain securitisation exposures and/or the incentives for certain investors to invest in securities issued under such structures, and may thereby affect the liquidity of such securities. The

exact scope of such regulation is often unclear and it is possible that it could be argued that the Notes were subject to some or all of it.

In particular, Directive 2006/48/EC and Directive 2006/EU, in each case as amended (together, the "**CRD**") has been amended by Directive 2009/111/EC (the "**CRD2**") which, among other things, inserts a new Article 122a into the CRD.

Article 122a provides that an EU credit institution shall only be exposed to the credit risk of a securitisation position if (a) the originator, sponsor or original lender has represented that it will retain, on an ongoing basis, a material net economic interest in the securitisation of not less than 5 per cent. and (b) it is able to demonstrate to its regulator on an ongoing basis that it has a comprehensive and thorough understanding of the key terms, risks and performance of each securitisation position in which it is invested. Failure by an EU credit institution investor to comply with the requirements of Article 122a in relation to any applicable investment will result in an increased capital charge to or increased risk weighting applying to such investor in respect of that investment.

No retention representation of the sort referred to in the preceding paragraph has been made in relation to this transaction.

The Issuer is of the opinion that the Notes do not constitute an exposure to a "**securitisation position**" for the purposes of Article 122a. The Issuer is, therefore, of the opinion that the requirements of Article 122a should not apply to investments in the Notes.

Investors should be aware that the regulatory capital treatment of any investment in the Notes will be determined by the interpretation which an investor's regulator places on the provisions of CRD (as amended by CRD2) and the provisions of national law which implements it. Although market participants have, in consultations relating to these regulatory reforms, requested guidance on the structures captured by the definitions, no definitive guidance has been forthcoming. Therefore, some uncertainty remains as to which the transactions are subject to Article 122a.

Similar requirements to those set out in Article 122a are expected to be implemented for other EU regulated investors, including investment firms, insurance or reinsurance undertakings, UCITS and alternative investment funds.

Article 122a and/or any further changes to the regulation or regulatory treatment of the Notes for some or all investors may negatively impact the regulatory position of individual investors and, in addition, have a negative impact on the price and liquidity of the Notes in the secondary market.

In addition, implementation of and/or changes to the Basel II framework may affect the capital requirements and/or the liquidity of the Notes.

The Basel II framework has not been fully implemented in all participating countries. The implementation of the framework in relevant jurisdictions may affect the risk weighting of the Notes for investors who are, or may become, subject to capital adequacy requirements that follow the framework.

It should also be noted that the Basel Committee has approved significant changes to the Basel II framework (such changes being commonly referred to as "**Basel III**"), including new capital and liquidity requirements intended to reinforce capital standards and to establish minimum liquidity standards and minimum leverage ratio for credit institutions. In particular, the changes refer to among other things, new requirements for the capital base, measures to strengthen the capital requirements for counterparty credit exposures arising from certain transactions and the introduction of a leverage ratio as well as short term and longer term standards for funding liquidity (referred to as the Liquidity Coverage ratio and the Net Stable Funding Ratio). Member countries will be required to implement the new capital standards from January 2013, the new Liquidity Coverage Ratio from January 2015 and the Net Stable Funding Ratio from January 2018. The European authorities have indicated that they support the work of the Basel Committee on the approved changes in general, and the European Commission's corresponding proposals to implement the changes (through amendments to the Capital Requirements Directive known as "**CRD IV**") were published in July 2011. The changes approved by the Basel Committee may have an impact on the capital requirements in respect of the Notes and/or on incentives to hold the Notes for investors that are subject to requirements that follow the revised framework and, as a result, they may affect the liquidity and/or value of the Notes.

Investors in the Notes are responsible for analysing their own regulatory position and should not rely on the Issuer's opinion set out above. Investors should consult their own advisers as to the regulatory capital requirements in respect of the Notes and as to the consequences to and effect on them of any changes to the Basel II framework (including the Basel III changes described above) and the relevant implementing measures. No predictions can be made as to the precise effects of such matters on any investor or otherwise.

### **Denominations and trading**

The Notes will be either Bearer Notes or Registered Notes as specified in the applicable Final Terms or Drawdown Prospectus and serially numbered in the Specified Denomination(s) **provided that** in the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a member state of the European Economic Area (a "**Member State**") in circumstances which require the publication of a prospectus under the Base Prospectus Directive, the minimum Specified Denomination shall be €100,000 or not less than the equivalent of €100,000 in any other currency as at the date of issue of the relevant Notes.

Notes may be issued in the minimum Specified Denomination and higher integral multiples of a smaller amount if specified in the applicable Final Terms or Drawdown Prospectus. However, if Definitive Notes for such a Tranche of Notes are required to be issued and printed, any Noteholders will not be entitled to receive a Definitive Note in respect of amounts which are smaller than the Specified Denomination and would need to purchase a principal amount of Notes such that its holding amounts to a Specified Denomination.

### **Book-entry form of Notes**

The Notes will initially only be issued in global form and deposited with a common depository for Euroclear and Clearstream, Luxembourg. Interests in the Global Notes and Global Note Certificates will trade in book-entry form only. The common depository, or its nominee, for Euroclear and Clearstream, Luxembourg will be the sole holder of the Global Notes and Global Note Certificates representing the Notes. Accordingly, owners of book-entry interests must rely on the procedures of Euroclear and Clearstream, Luxembourg, and non-participants in Euroclear or Clearstream, Luxembourg must rely on the procedures of the participant through which they own their interests, to exercise any rights and obligations of a Noteholder.

Unlike the Noteholders themselves, owners of book-entry interests will not have the direct right to act upon the Issuer's solicitations for consents, requests for waivers or other actions from holders of the Notes. The procedures to be implemented through Euroclear and Clearstream, Luxembourg may not be adequate to ensure the timely exercise of rights under the Notes.

### **Legal investment considerations may restrict certain investments**

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent Notes are permissible legal investments for it, Notes can be used as security for indebtedness and other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

### **The Notes are subject to exchange rate risks and exchange controls risks.**

The Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if a Noteholder's financial activities are denominated principally in a currency or currency unit (the "**Noteholder's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Noteholder's Currency) and the risk that authorities with jurisdiction over the Noteholder's Currency may impose or modify exchange controls. The Issuer has no control over the factors that generally affect these risks, such as economic, financial and political events and the supply and demand for applicable currencies. Moreover, if payments on certain Notes are determined by reference to a formula containing a multiplier or leverage factor, the effect of any change in the exchange rates between the applicable currencies will be magnified. In recent years, exchange



rates between certain currencies have been highly volatile and volatility between such currencies or with other currencies may be expected in the future. Fluctuations between currencies in the past are not necessarily indicative, however, of fluctuations that may occur in the future. An appreciation in the value of the Noteholder's Currency relative to the Specified Currency would decrease the Investor's Currency-equivalent yield on the Notes, the Noteholder's Currency-equivalent value of the principal payable on the Notes and the Noteholder's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

## USE OF PROCEEDS

The net proceeds of Initial Notes issued under the Programme will be used by the Issuer to (i) advance On-Loans to the AssetCos, and (ii) pay transaction costs associated with the Programme. Each AssetCo will use the proceeds of the Initial Notes advanced to it by way of On-Loan to refinance outstanding financial indebtedness and associated hedging liabilities.

In connection with Notes issued after the Initial Notes, the proceeds of Notes issued under the Programme will be used to advance On-Loans to (i) existing AssetCos, or (ii) to an Acceding AssetCo, in each case to fund the acquisition of New Assets.

The net proceeds of Notes issued under the Programme will also be used, *inter alia*, to fund the amounts required to be held in the Sinking Fund Accounts, Opex Accounts and Debt Service Reserve Account and any associated transaction costs.

## THE UNITED KINGDOM HIGHER EDUCATION AND STUDENT ACCOMMODATION SECTOR

### Background

The market for student accommodation in the United Kingdom is underpinned by demand for higher education, which over the past 30 years has seen strong demand. The United Kingdom continues to see students applying to study, driven by "world class" institutions and strong destination marketing by universities. There are ten United Kingdom universities in the top 100 global institutions<sup>2</sup>. It is estimated that through both direct and secondary impacts, the higher education sector generates annually more than £60bn of output and supports well over 650,000 full time equivalent jobs throughout the United Kingdom economy.<sup>3</sup>

Higher education also continues to offer students tangible added value. Over a working life, an individual with an undergraduate qualification from a United Kingdom university will earn between 20 per cent. and 25 per cent. more than his or her equivalent holding two or more A-levels. This so-called 'graduate premium' continues to support growth in demand for tertiary study.<sup>4</sup> It is estimated that combining income and employment effects, the mean gross additional lifetime earnings of having a degree over and above two or more A-levels is approximately £160,000. A further postgraduate earnings premium is also widely recognised, motivating more students to remain in higher education, particularly given the cumulative effect of increased rates of participation.<sup>5</sup>

The growth in student enrolment and rates of participation has continued over the last thirty years underpinned by public policy to educate more young people (both from the United Kingdom and overseas), as well as to expand the sector more generally. This growth has been stronger over the last two decades. The market for higher education across the United Kingdom also appears to be anti-cyclical with applicant numbers for university study continuing to increase over the long term, including during periods of recession.

Funding arrangements for institutions and students across the sector are changing following the publication of the Browne Review in October 2010 (the "**Review**"). Changes to the funding of higher education made by the current administration, reflect many of the Review's recommendations and from the academic term 2012/13 universities are now able to charge a basic fee threshold of £6,000 per annum up to a maximum charge of £9,000 per annum for which loans covering fees and living costs have been made available. Students repay the loans after graduation, and only when they are earning more than £21,000.

In addition, to ensure that institutions are focused on the provision of quality courses and facilities as well as value for money, the government have introduced a "core and margin" approach to student recruitment. This approach will see universities continuing to receive a "core" number of home and EU full-time undergraduate entrants based on their historic numbers. However, approximately one-fifth of all first year new entrant places are now open to competition between those institutions whose average grade offer is AAB or above, and those whose average tuition fee is £7,500 per annum or less. Institutions who fulfil these criteria are able to recruit as many students from this pool of new entrants as they wish.

Universities may also be required to provide far more by way of bursaries and scholarships as well as information on their courses, their performance and facilities. Universities are being asked to find far greater operational efficiencies and look at new ways to mitigate long term risks.

On the basis of continued demand for higher education, the United Kingdom student housing market has been developing strongly over the last decade. It has been a resilient sector in terms of occupancy and rental growth despite the downturn experienced by other property sectors since 2008. According to GVA Grimley<sup>6</sup>, Knight Frank<sup>7</sup> and Savills<sup>8</sup>, purpose built student accommodation represents an emerging asset

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<sup>2</sup> Source: Times Higher Education World University Rankings 2012-13.

<sup>3</sup> Source: Universities UK – "The impact of universities on the UK economy" (11/2009).

<sup>4</sup> Source: Universities UK – "Research Report – The Economic Benefits of a Degree" (02/2007).

<sup>5</sup> Source: Centre for Economic Performance Lindley J and Machin S (2011) Postgraduate education and rising wage inequality CEP Discussion Paper 1075.

<sup>6</sup> Source: GVA Grimley – "Student Housing" (Summer 2010).

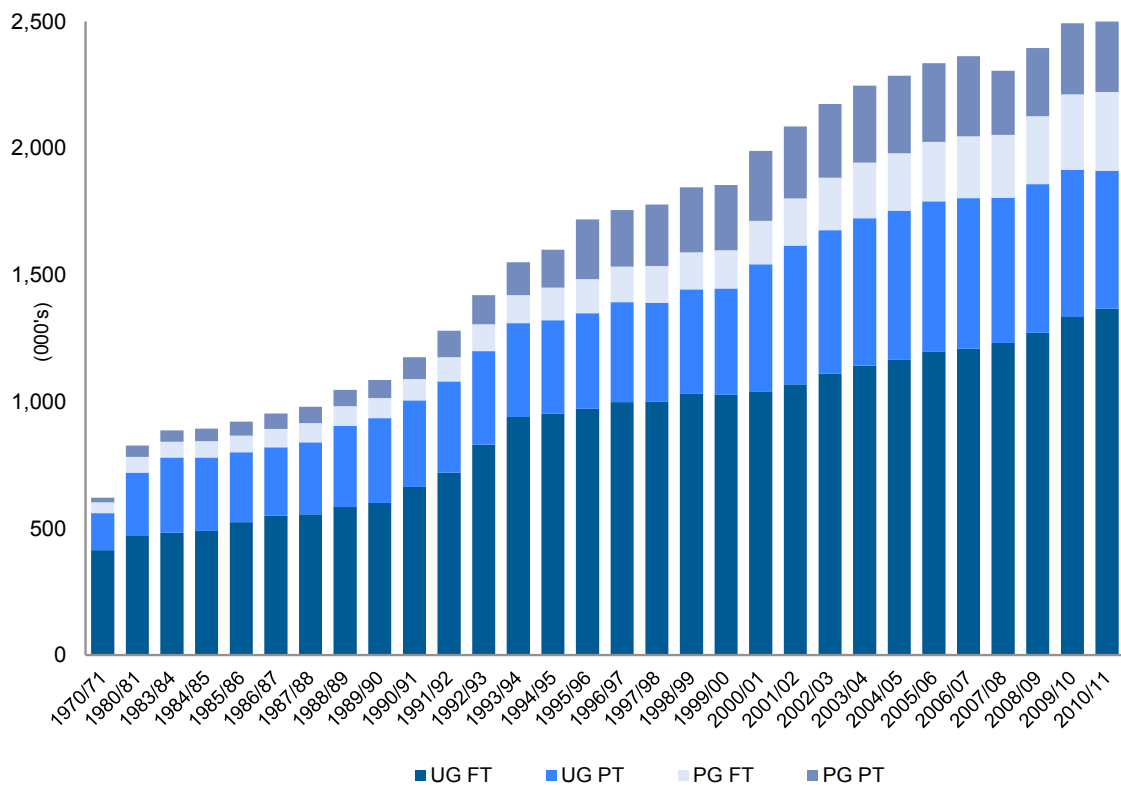
class in its own right with numerous specialist investment funds targeting the sector. The sector typically has a number of attractive features including long leases with high levels of income security, high density development, a stable and predictable student tenant base and the potential to realise additional non-term time letting and other commercial revenues.

### Academic and Residential Demand

The following section outlines some of the key trends in academic and residential demand in the United Kingdom higher education and student accommodation sector, focussing on four key themes: Enrolment Trends, Academic Applications and Acceptances, Applicant Numbers and Student Accommodation supply.

#### Enrolment Trends

The United Kingdom higher education sector has grown consistently over the past four decades. Full time student enrolment has increased by 1.2 million students since 1970. In particular the sector has witnessed continued strong rates of enrolment growth over the last decade. The chart below shows enrolment growth in the United Kingdom from 1980/81 to 2010/2011.



UG FT – undergraduate full-time; UG PT – undergraduate part time; PG FT –postgraduate full-time; PG PT –postgraduate part time

Source: Higher Education Statistics Agency (Institutional Headcount)

Full time student enrolments have increased by 38.6 per cent between the academic years 2000/01 to 2010/11 – the equivalent of an extra 467,000 students per annum. Data from the Higher Education Statistics Agency ("HESA") identifies that the full-time United Kingdom student population grew to 1.68 million for 2010/11. This represents the equivalent of a compound annual growth rate of 3.3 per cent over the decade and 4.2 per cent since 1980.

<sup>7</sup> Source: Knight Frank – "Student Property" (2011).

<sup>8</sup> Source: Savills "Spotlight on Student Housing" (Autumn 2011).

UPP Partner Universities have performed at a stronger rate than the United Kingdom average, increasing by 60.7 per cent over the same period for full time student enrolments. In real terms the number of full time students enrolling at Partner Universities has increased from 73,640 per annum in 2000/01 to 118,370 per annum in 2010/11, an increase of 44,730. This represents the equivalent of a compound annual growth rate of 4.9 per cent over the last decade.

Demand for accommodation from postgraduate students has also increased over the last decade. Albeit from a low base relative to undergraduate numbers, full time postgraduate demand has grown more quickly as participation rates have increased. According to HESA, there are now 137,730 more full time postgraduates studying in United Kingdom higher education than there were ten years ago – a total potential demand pool of more than 310,000 students. Across the United Kingdom, higher education postgraduate enrolments have more than doubled (162 per cent), with the full time component increasing by 79.9 per cent over the same period. By comparison full time postgraduate enrolments at Partner Universities increased by 84.7 per cent - in real terms an extra 8,450 students. Full time postgraduate students – and in particular postgraduate taught students - will typically seek out accommodation residence agreement lengths of between 50 and 51 weeks, again generally mirroring the length of their programme of study which typically runs for a full calendar year.

#### *Academic Applications and Acceptances*

Demand for higher education is often articulated in the relationship between academic applications and acceptances. This measure – typically expressed as a ratio of the two – is one measure of the popularity of an institution. The table below sets out information on the number of applications and acceptances to United Kingdom Higher Education Institutions ("UK HEI") and Partner Universities:

		2008/09	2009/10	2010/11	2011/12	Total <sup>9</sup>	CAGR
UK HEI	Applications	2,195,637	2,387,415	2,720,498	2,847,012	651,375	9.0%
	Acceptances	456,627	481,854	487,329	492,030	35,403	2.5%
	Ratio	4.8	5.0	5.6	5.8		
Partner universities	Applications	241,031	268,210	298,413	312,939	71,908	9.1%
	Acceptances	49,758	49,424	52,717	51,508	1,750	1.2%
	Ratio	4.8	5.1	5.4	6.1		

Source: UCAS

Applications for study at United Kingdom institutions at the sector level have generally followed an upward trend over the last decade prompted by the policy of successive governments to expand the higher education participation rate, of those between 18-25 years.

Applications have continued to increase and this in turn has seen a widening of the ratio of applications to acceptances. Applications at Partner Universities have, generally, fared better than the United Kingdom average between 2001 and 2011, and in particular since the current five-choice application system (as opposed to the earlier six-choice application system) was introduced in 2008/09, applications have increased by nearly 72,000. Applications to AssetCo accommodation over the same period have had a 10.3 per cent compound annual growth rate compared to 9.0 per cent for UK institutions as a whole.

#### *Applicant Numbers*

Between 2000/01 and 2010/11 applicant numbers grew by 246,000 to just over 700,000 per annum, an increase of 58.4 per cent. Since the current five-choice system was introduced (that is, the number of institutions applicants can apply to under the application procedure applicable in the UK) in 2008/09, the number of applicants from the United Kingdom has increased by approximately 90,000 to 589,000 per annum, an increase of 29.8 per cent, whilst applications from the EU have grown at a more rapid rate – 46.6 per cent between 2008/09 and 2011/12 - an increase of around 15,000 students applying each year.

Applicant numbers from non-EU overseas countries have also risen over the same period. Students from China continue to represent the most significant proportion of total international applicants with 11,827 students applying for places at United Kingdom institutions in 2011/12. This represents a growth of 33.0 per cent since 2008/09 or an extra 2,937 applicants each year. Students from Ireland have increased by 37.2 per cent or 2,033 extra applicants each year over the same period. Applicant numbers from Hong

<sup>9</sup> Total number of additional Applications and Acceptances 2008/2009 – 2011/2012.

Kong and Malaysia have grown at 32.0 per cent and 28.8 per cent respectively since 2008/09. Applicant numbers from France and Germany have risen, in each case by more than 15.0 per cent. The following table shows the origin of applicants universities in the United Kingdom since 2008/2009:

<b>Continent</b>	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>	<b>Total +/-</b>	<b>Growth</b>	<b>CAGR</b>
UK.....	502,461	544,285	586,821	589,350	86,889	29.8%	5.5%
Europe (EU).....	34,530	39,504	47,318	49,275	14,745	46.6%	12.6%
Europe (ex. EU).....	3,692	4,549	5,325	5,400	1,708	65.1%	13.5%
Africa.....	7,936	7,413	7,523	6,710	-1,226	-15.8%	-5.4%
Americas.....	5,985	6,527	7,135	7,242	1,257	36.0%	6.6%
Australasia.....	412	454	521	601	189	68.8%	13.4%
Far East.....	28,518	30,216	34,779	35,720	7,202	39.0%	7.8%
Middle East.....	4,846	5,595	6,311	5,619	773	42.0%	5.1%
Other Overseas.....	309	1,317	1,618	244	-65	59.5%	-7.6%
<b>Total.....</b>	<b>588,689</b>	<b>639,860</b>	<b>697,351</b>	<b>700,161</b>	<b>111,472</b>	<b>31.0%</b>	<b>6.0%</b>

Source: UCAS

UCAS applicant deadline data for the academic year 2013/14 was published on 15 January 2013. Total applicant numbers increased by 3.5 per cent (18,825 potential students) as compared with the figures for the previous year. The number of 18 year old applicants (the largest single applicant group) increased by 0.8 per cent. (an increase of more than 2,000 applicants), whilst applicants from EU countries grew by 4.9 per cent. over the same period. Applicant numbers from outside the EU increased by 4,000 or 9.6 per cent. on the previous academic year.

#### *Student Accommodation Supply*

There continues to be a shortage of residential supply for students studying at United Kingdom universities. This is driven by historic undersupply of accommodation, tightened planning restrictions with respect to both student developments and Houses in Multiple Occupation ("HMOs") as well as the poor quality of existing university stock.

The student accommodation market can be segmented into four key types of accommodation:

- HMOs;
- purpose built university owned residences;
- private purpose built and operated residences; and
- parental homes.

The current estimated composition of this market by accommodation type is outlined in the table below:

	<b>Full-time Students</b>	<b>Market Proportion</b>
HMOs/Shared Houses.....	872,219	52%
Parental Home.....	301,922	18%
University Maintained.....	318,696	19%
Commercial Halls.....	184,508	11%

Source: UPP/ CBRE Research August 2012)<sup>10</sup>

United Kingdom universities are presently housing less than 20 per cent of full time students in their own accommodation: a total of 318,000 rooms. The Higher Education Funding Council's Estates Management statistics indicate that between 25-30 per cent of higher education accommodation is in sub-standard condition – beyond its design life and either in need of replacement or fundamental refurbishment.

CBRE have estimated that the number of privately developed student bed spaces has increased to a total of more than 180,000. This represents an increase of 20 per cent on the academic term 2009/10 – a total of around 15,000 new rooms becoming operational per year. Private, purpose built accommodation house 11 per cent of full time students in the United Kingdom.

<sup>10</sup> CBRE "Student Housing Viewpoint" (August 2012).

It remains the case, however, that the largest single segment of student beds, offering approximately 870,000 bed spaces each academic year (52 per cent of the total student housing sector), are HMOs. This segment is characterised by landlords of single or multiple houses letting to groups of students, off-campus in the private rented sector.

There are 499,320 student-only bed spaces in the United Kingdom, which are split between (i) beds owned and operated by universities an estimated 318,696 bed spaces and (ii) private operators accounting for approximately 184,508 operational spaces, with a further 30,000 beds in the three year pipeline.

The final segment, 301,922 bed spaces, comprises students living in the home of a parent or guardian.

## THE UPP GROUP

### Summary of UPP

UPP was originally established in 1998 and has grown to become the largest provider of on-campus residential and non-residential infrastructure to universities in the United Kingdom. To date, UPP has invested more than £1.4 billion in the higher education sector since its inception, and has plans for further significant investment. It has 28,000 student rooms in operation and/or development with its 13 Partner Universities, of which 9,104 are rooms operated by the AssetCos. UPP is also negotiating at preferred bidder level to develop a further circa 3,000 rooms including projects at the University of London, University of Kent and Plymouth University.

UPP's business model aims to establish long-term partnerships with higher education institutions for the provision of residential accommodation and campus infrastructure. The partnerships produce long-term, predictable cash flows, based on room rental income benefiting from the relationships and contractual structures established in each case. The contractual arrangements are analogous to those found in social infrastructure public private partnerships and do not rely on capital appreciation in the manner typically found in other parts of the student accommodation and real estate sectors.

UPP schemes allows its Partner Universities to release capital for investment in areas of core provision such as teaching and research to better meet both immediate and long-term financial objectives. Schemes are financed on a non-recourse basis and, at the end of the project term, are handed back to the relevant Partner University in good repair and condition.

UPP has established itself across the higher education sector over the last 15 years, delivering sustained growth and strong revenues, with average accommodation Occupancy in excess of 99.5 per cent. over the last five years across the AssetCos.

### Key Credit Features of the UPP Group

- UPP's business model is based on partnerships with Higher Education institutions the key features of which are:
  - long term contracts (at least 40 years at inception) with Partner Universities;
  - the Partner University responsible for marketing and allocation of rooms to prospective students; and
  - the student relationship remains with the university and the accommodation is badged as Partner University accommodation.
- UPP are highly selective over the choice of university and choice of sites, underpinning strong historic occupancy performance:
  - UPP partners with leading institutions in each University Mission Group, targeted using its own selectivity criteria;
  - accommodation is always located on or very near to campus, which is the preferred location for target cohorts of first year undergraduates and postgraduates; and
  - Partner Universities are targeted that have a shortage of accommodation and a minimum student to bed ratio of 2:1.
- Average Occupancy over last 5 years has been in excess of 99.5 per cent. across the AssetCos.



- The UPP business benefits from robust relationships and contractual frameworks with Partner Universities that produce stable and resilient cash flows:
  - credit and void risk is passed to the Partner University<sup>11</sup> once a student enters into a SRA and is accepted as a student of the Partner University;
  - marketing is conducted on at least an even handed basis with other accommodation provided by the Partner University;
  - UPP benefits from a restrictive covenant regime that restricts long term competing supply in order to maintain its market position; and
  - the rent setting agreement for the life of the Project are linked to the retail price index ("**RPI**").

The principal characteristics of the contractual arrangements with each Partner University are set out in detail in the sections entitled "*The AssetCos – Project Framework*" and "*The AssetCos – AssetCo Specific Summaries*".

### **Ownership and Group Structure**

UGHL is owned by Student UK Acqco Limited. PGGM Infrastructure Fund 2010 ("**PGGM Infrastructure**") is the 60 per cent. controlling shareholder in Student UK TopCo Limited. PGGM Infrastructure is managed by PGGM Vermogensbeheer B.V. ("**PGGM**"), a leading Dutch pension fund service provider offering pension management, integrated asset management, management support and policy advice to its institutional clients. PGGM currently works on behalf of five pension funds, managing €140 billion of pension assets for 2.5 million people. PGGM Infrastructure has a direct investment strategy to invest into stable, social infrastructure sectors with a long term focus. It seeks stable, inflation linked cashflows to match its clients liabilities. PGGM Infrastructure has made several other large direct investments in infrastructure assets and concession portfolios over the last 24 months.

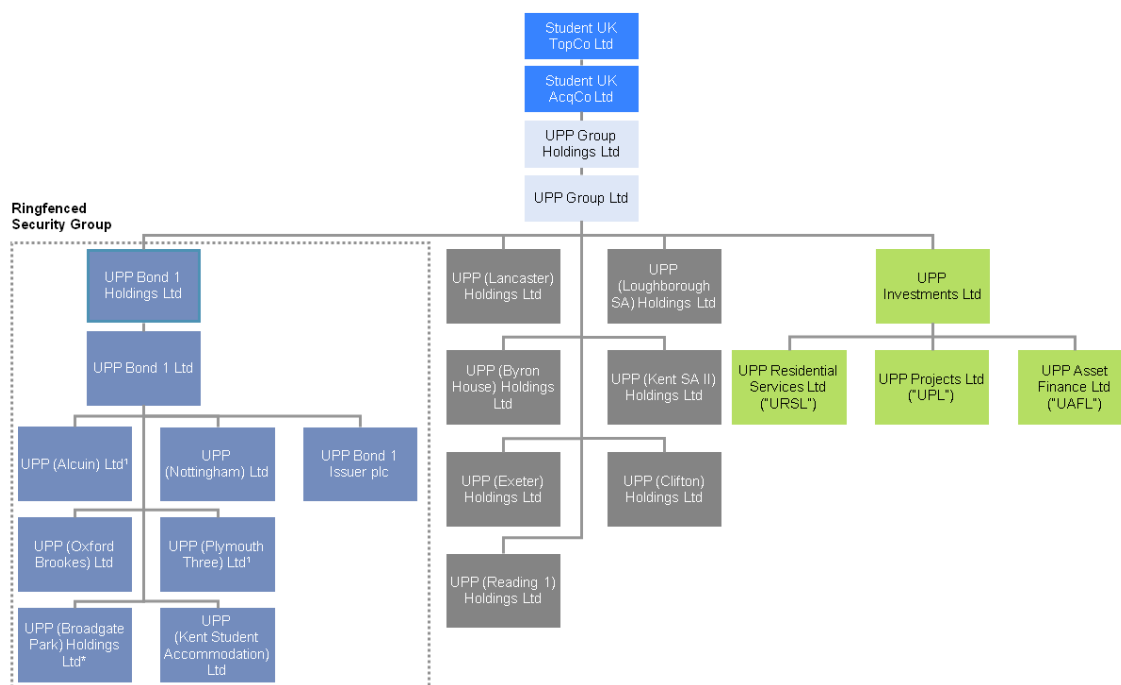
The People's Bank of China is the beneficial owner of 40 per cent. of Student UK TopCo Limited and Student UK Acqco Limited (the "**Companies**") holding its shares and loan notes in the Companies through its wholly owned subsidiary Argyle Luxco 2 Sarl.

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<sup>11</sup> Save in respect of UPP (Broadgate Park) Holdings Limited, where the transfer of credit and void risk will be effective as of the 2013/2014 academic year.

## Group Structure

The following diagram shows the simplified corporate structure of the UPP Group as at the date of the issue of the Initial Notes:



\*UPP (Broadgate Park) Holdings Limited has a wholly owned direct subsidiary, UPP (Broadgate Park) Limited. See the section entitled "The AssetCos – UPP (Broadgate Park) Holdings Limited" for further details.

## UPP Business divisions

The Group is composed of the following companies:

- Ringfenced Security Group: the Issuer Obligors and the AssetCos.
- Seven additional special purpose vehicles responsible for the provision of student accommodation at the remaining Partner Universities and representing a total of circa 17,500 rooms. As above, income is derived from the return on subordinated debt and ordinary equity investments in the special purpose vehicles.
- UPP Projects Limited ("UPL"): responsible for undertaking the design and build element of its transactions. UPL generates an income through development fees.
- UPP Residential Services Limited ("URSL"): responsible for undertaking the facilities management services for the full term of the project. URSL derives revenue from asset management fees.
- UPP Asset Finance Limited ("UAFL"): responsible for procuring the funding for each transaction. UAFL derives a fee for this service from each transaction.

## History of UPP

The key corporate events in UPP's history include:

- 1998 - the establishment of UPP.

- 2004 - UPP established as a separate corporate entity with the support of Barclays Infrastructure Funds Managers.
- 2005 - UPP established its own operational capability with the formation of URSL.
- 2012 - PGGM acquired a 60 per cent. stake in UPP.
- 2013 – The People's Bank of China purchased the remaining 40 per cent. stake in UPP.

### **Detailed components of the UPP Business Model**

The strength of the UPP business model is driven by the following elements:

#### **1. *Long-term partnership with universities, with clear alignment of interest***

The UPP model is centred on a partnership approach with universities. The nature of this partnership provides the basis for the majority of the points discussed below. This differentiates UPP from its competitors and has underpinned its track record of growth and occupancy.

UPP delivers an integrated service through which it assumes responsibility for the funding, design, build, operation and accommodation management of campus infrastructure. This integrated approach allows its Partner Universities to release capital for investment in areas of core provision such as teaching and research, to meet both immediate and long-term financial objectives.

Accommodation is developed on behalf of, and with input from, the Partner University in line with their strategy to fulfil a certain requirement, UPP does not undertake speculative developments. Transactions are generally initiated by the institutions and typically involve a contractual term of not less than 40 years, calculated from the commencement of the project.

The accommodation will often be among the highest quality and the most recently built accommodation on-campus. This is an important part in the marketing of the university to prospective students. UPP accommodation will also have a pastoral care team from the Partner University who are able to provide advice to students and deliver university-led student experience initiatives.

#### **2. *On-campus location and target demand cohorts***

UPP accommodation is located on or very near to university campuses.

It is primarily targeted at first year domestic and international undergraduate and postgraduate students who will typically be guaranteed accommodation as part of the offer of study they receive. Students from these cohorts are usually expected to want on-campus accommodation, due to the importance of being on-campus in the early stages of their university career.

#### **3. *Selectivity Criteria***

The UPP approach is underpinned by a research led approach to selecting its Partner Universities and projects. The driver behind this is to identify and work with the best performing institutions; those universities that will be successful in the long term.

UPP employs a two tier selectivity criteria – institutional selectivity and project selectivity.

##### *Institutional Selectivity:*

Institutional selectivity generates the UPP target list and follows a methodology based on twenty key performance metrics of the higher education system. These are weighted by criteria area and also overall score.

Four criteria areas are weighted to provide an overall institutional score:

- Finance – focusing on gearing, liquidity and reliance on HEFCE funding;
- Academic demand – focusing on academic applications across the sector, UCAS tariff and use of clearing;
- Academic status – focusing on university league tables, Quality Assurance Agency review scores and Research Assessment Exercise scores categorised by University Mission Group, employability; and
- Students – focusing on enrolment growth, satisfaction scores from the National Student Survey and the institutional non- completion rate.

This matrix provides a UPP rank from which is derived the UPP institutional target list.

#### *Project Selectivity*

When UPP consider a specific project, further selectivity takes place to take account of a range of factors including:

- Demand and supply characteristics (i.e. the expected demand for accommodation and the aggregate supply both off and on campus);
- Students to Bed ratio – calculated by comparing the core demand pool of an institution (full-time student numbers minus the number of home domiciled students), with the supply of available university beds (including any Nominated with other accommodation providers);
- Private developer competition;
- Sustainable rent levels;
- The aggregate size of the transaction (rooms and finance);
- Location of project (on-campus preferable); and
- Fundability of project and institution.

This enables UPP to ensure the fullest consideration of project risk with our chosen Partner University.

#### 4. ***Marketing of rooms***

The Partner University will market rooms concurrently with their own, as if they were its own stock. In doing so, the university maintains the relationship with the student and UPP's role is largely invisible. The university is obliged to undertake the marketing, on an even-handed basis or in preference to its own stock.

The target market for the majority of stock is new first year students (undergraduate and postgraduate), to whom the university offer a guarantee of a room. In practice, this means the room marketing is conducted as part of the broader marketing of the Partner University itself, which ensures a clear alignment of interests with UPP.

The provision of pastoral care, wardens and the delivery of student experience initiatives are also a part of the marketing.

#### 5. ***Allocation of rooms***

Upon accepting an offer of study, students are allocated rooms by the Partner University. Consistent with the approach to marketing, UPP rooms are allocated on an even-handed basis (in accordance with the express preferences of applicants) or in preference to the Partner University's own stock.

More details of allocation arrangements in the case of each AssetCo may be found in the AssetCo Summary section of this document.

6. ***Credit and Void Risk***

At the point that UPP (or the Partner University) receives a signed SRA and the relevant student is accepted into the Partner University, the Partner University assumes responsibility for any credit and void issues<sup>12</sup>. This means that where a student cannot pay for any reason or withdraws from their studies, the university becomes liable for the rental shortfall to the UPP accommodation for the remainder of the contractual term of the SRA. This compares favourably to direct let operators, where the risk of backfilling the accommodation remains with the operator.

7. ***Rent Setting***

Arrangements for rent setting are set out in the contractual arrangements with the relevant Partner University and may vary between projects. This rent setting mechanism typically provides the RPI linked methodology to be used when agreeing rental increases for the full project term, some regular benchmarking and pass-through of certain costs (eg. insurances and utilities).

In practice, the setting of rents is completed in annual discussion with each university and will make reference to historic and expected rent levels, prevailing RPI rates and for additional cost pass-through in the case of utilities, insurances and adjustments to facilities management costs. In the case of the latter these are benchmarked every five years.

UPP typically employ four different rent setting mechanisms: Base Rent, Benchmarked Rent, Market Rent and Controlled Rent as defined in the section entitled "*The AssetCos – Project Framework – Rent Setting and Pass Through of Costs*".

Details of rent setting provisions in the case of each Asset Co maybe found in the AssetCo Summary section of this document.

8. ***Restrictive Covenant***

A key element of the UPP approach involves the management of the demand and supply dynamics by establishing a restrictive covenant over the long term. Each Project Agreement contains a covenant precluding the university from providing further accommodation to full-time students (either by construction agreements or arrangements with third parties) within a specified radius of the university campus, without the prior consent of UPP.

Each restrictive covenant is designed to ensure that an appropriate demand-supply dynamic is maintained; where an institution wishes to expand its supply of beds it will be required to pass an historic demand test, based on a ratio expressing those dynamics. This affords UPP accommodation an advantage over direct let operators who are often impacted by the development of new accommodation by competitors.

Details of the covenants and related demand tests in the case of each AssetCo may be found in the AssetCo Summary section of this document.

9. ***Compensation on Termination rights***

Compensation on termination provisions exist in the following AssetCos

- UPP (Broadgate Park) Holdings Limited
- UPP (Nottingham) Limited
- UPP (Oxford Brookes) Limited

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<sup>12</sup> Save in respect of UPP (Broadgate Park) Holdings Limited, where transfer of credit and void risk will be effective as of the 2013/2014 academic year.

The formulae for these provisions are outlined in the individual Asset Summary documents comprising part of this prospectus.

10. **FM services delivered by in-house contractor**

UPP deliver services to students through the FM Provider. Operating an arm's-length commercial contract, the FM Provider provides continuity of service at each site for the term of the agreement, delivering to prescribed service levels. The UPP approach involves site staff being directly employed by each AssetCo, whilst responsibility for management of the employees reside with the FM Provider. The longevity of the FM contracts allows the FM Provider to make investment in the training, development and incentivisation of staff.

The FM Contracts with each AssetCo have a payment mechanism based on both availability and performance, with services and price benchmarked every five years. The FM Provider adopts a long term approach to maintenance both through sinking fund management as well as planned maintenance. A national procurement programme also allows the FM Provider to benefit from economies of scale.

11. **Service Delivery Structure**

The staffing structure of the AssetCos will have a dedicated Business Manager responsible for the day to day delivery of the Facilities Management ("FM") services. Depending on the number of rooms and the type of services provided, the Business Manager will be supported by an Assistant Business Manager.

Site administration is provided on all sites by a Helpdesk Operator, Administrator and Receptionist. Hard FM services are delivered by a Maintenance Supervisor supported by Maintenance Operatives, whereas soft FM services will be managed by a Housekeeping Supervisor and Housekeepers. If 24 hour security is required then the site will be staffed with Residence Duty Officers out of core working hours.

Each site is supported by a Regional Director, based within each region, with central functions including, Health, Safety and Environment, Business Standards, Human Resources, IT, Finance, Procurement and Sinking Fund Management, being provided by staff based centrally at the Head Office in London.

**Competitive landscape**

The privately developed and operated student accommodation market can be segmented as follows:

1. Property companies operating a direct let model;
2. Partnership Design, Build, Finance and Operate ("DBFO");
3. Infrastructure companies;
4. Developer-Operator Consortia;
5. National Housing Associations; and
6. Regional Operators.

The leading developers and operators and their market share are outlined in the table below:

<b>Company</b>	<b>Operational Beds</b>	<b>Market Share (Private Operators)</b>	<b>Market Share (Total Purpose Built)</b>
Unite Group / USAF .....	41,777	23.1%	8.4%
UPP.....	27,966	15.5%	5.6%
Opal Group .....	20,027	11.1%	4.0%
Liberty Living .....	15,969	8.8%	3.2%
CRM .....	11,011	6.1%	2.2%
Sanctuary Management.....	8,255	4.6%	1.7%

(Source: CBRE Research August 2012)

### ***Property companies operating a direct let model***

Property companies began developing private residences during the late 1990's in response to the undersupply of student accommodation. These companies secure the freehold on sites in United Kingdom cities with large student population. Developing the residential asset and then offering nomination agreements to institutions, these developer-operators market directly to students and, in certain circumstances, then look to sell these assets into their own fund structures once operational.

### ***Partnership DBFO***

Partnership models such as those provided by UPP are focused upon the provision of on-campus residential and academic infrastructure. This model is a complementary model – i.e. the operator does not compete in terms of demand with university accommodation. The model involves a long term concession – typically between 40-50 years – with the university marketing and allocating the accommodation as if it were its own stock and UPP operating the accommodation in line with established service level agreements.

### ***Infrastructure companies***

The market for student accommodation in the United Kingdom has seen a number of large infrastructure companies enter the market. These companies are able to demonstrate development capability and are able to operate accommodation.

### ***Developer-Operator Consortia***

Bidding joint ventures involving investor-development companies and specialist operators of student accommodation are also involved in the United Kingdom market. Typically, these developers will establish an independent client and student facing brand, with these consortia seek to offer a high degree of construction security and specialist operational skill.

### ***National Housing Associations***

There are a number of national and regional housing associations which have established student accommodation companies either separately or as subsidiaries to their other social housing activities as one area of business diversification. Over the last decade, a number have developed a regional presence and are able to benefit, when bidding, from a detailed local knowledge and existing presence in other areas such as social housing.

### ***Regional Operators***

Throughout the United Kingdom there are a number of developer-operators who have established a regional presence (approximately 5 to 10). Each will have a variable capacity in terms of delivery, but are able to benefit from the relationship between university and chosen funder.

### **Management Team**

UPP has a specialist team of senior executives with extensive experience in relevant fields. These include construction, higher education, facilities management and project finance. The key members of the team are set out below.

#### **Sean O'Shea**

##### ***Group CEO***

Sean has more than 15 years' experience in the higher education sector and is responsible for determining all aspects of the strategic direction of UPP Group. A trained quantity surveyor, he has held senior positions with Mansell and Jarvis plc and subsequently led the UPP management buyout during 2004. Sean was a key figure in the development of the UPP business model and was responsible for the commercial architecture of UPP's bespoke public-private partnership approach.

In 2005 as Managing Director, Sean was responsible for establishing URSL, which provided the operational platform for the continued development of the Group as a whole. He is also a Director of UPP Projects Limited

### **Gabriel Behr**

#### ***Group Financial Director***

Gabriel joined UPP as Group Finance Director in 2008 and has 12 years' post-qualification experience having held a number of senior roles (including roles at publicly listed companies and infrastructure companies). Gabriel has experience of negotiating and managing PFI/PPP contracts, as well as numerous merger and acquisition transactions. He was responsible for leading the successful sale of the Group during 2012 and 2013.

Gabriel sits on the UPP Group Holdings Board, the UPP Group Board and on the boards of each AssetCo.

### **Duncan Palmer**

#### ***Managing Director, UPP Residential Services Limited***

Duncan has more than 20 years' experience of managing and operating student accommodation. He joined UPP in 2001 and has been the driving force behind the facilities management and operational elements of many transactions. In 2005, Duncan was heavily involved in the creation of URSL.

As Managing Director of URSL, Duncan has overall responsibility for the management of the facilities management business and its revenues. Duncan is on the Board of URSL as well as the UPP Group Board where he is also responsible for human resources.

### **Sam Bailey-Watts**

#### ***Group Director, Partnerships***

Sam joined UPP in 2000 and was heavily involved in the development of URSL. He was appointed a Director of URSL in September 2008 and then to the Group Board in 2012. Sam is responsible for UPP's relationship management strategy, business standards and the monitoring of marketing, letting and revenue generation as well as assisting the Group Business Development Director in developing new opportunities for UPP.

Sam has worked in the United Kingdom higher education sector for 20 years and during this time he has managed residences at the Universities of Nottingham and London in various roles.

### **Jon Wakeford**

#### ***Group Director, Strategy and Communications***

Jon originally joined UPP in 2000 as Head of Research and Development. Educated at the Universities of Glasgow and London and with over 20 years' experience in the higher education sector, Jon was a senior adviser with KPMG's higher education team, has managed multi-site residences for a number of colleges of the University of London and has led a number of UPP transactions.

As Director of Strategy and Corporate Communication, Jon is responsible for positioning UPP to take advantage of market opportunities. He leads the Group's public affairs activities and works closely with the CEO to manage the evolution and delivery of UPP's future vision. Jon sits on the UPP Group Board. He is a member of the cross-party Higher Education Commission which examines higher education policy, holds evidence-based inquiries, and produces written reports with recommendations for policymakers. Jon is also a member of the Association of Business Schools Innovation Taskforce.

### **Julian Benkel**

#### ***Company Secretary and Compliance Director***

Julian joined UPP as Finance Director in 2002 and has been a chartered accountant for over 25 years. After leaving practice, Julian gained financial services experience with UBS before joining Carillion



where he was the Finance Director of Schal, their construction management, project management and consultancy arm.

Having been a member of the buy-out team in 2004 and URSL's establishment in 2005, in 2006 Julian took responsibility for all company secretarial and compliance matters across the Group. He successfully managed the corporate restructuring in 2008 and is now in charge of corporate governance for the Group.

Julian is a Director of UPP Group Holdings, the Group Board and each of the AssetCos and is Company Secretary for all the Group companies. He has a Diploma in Company Direction and is in the process of becoming a Chartered Director.

### **Paul Goddard**

#### ***Group Construction Director***

Paul joined UPP as Group Construction Director in 2009 and is responsible for the delivery of all UPP's construction projects. Paul leads on all construction matters at UPP. Paul has over 30 years' commercial experience in the construction industry including of board level.

Paul has a background as a surveyor and prior to joining UPP he oversaw major PFI and commercial construction projects in the health, leisure, retail, commercial, residential, student accommodation and education sectors.

### **Mark Allen**

#### ***Group Business Development Director***

Mark joined UPP in 2000 as Business Development Director and has more than 20 years' experience in the university sector. He is a Group Board Director, responsible for business development and is also a Director of UPP Projects Limited.

Mark worked at the University of Greenwich as Head of Accommodation Services until 1992, at which time he was appointed as Head of Department for Residential, Catering and Conference Services for Goldsmiths College, University of London. While at Goldsmiths College, he was responsible for the development of their estates strategy.

### **Elaine Lydon**

#### ***Managing Director UPP Asset Finance Limited***

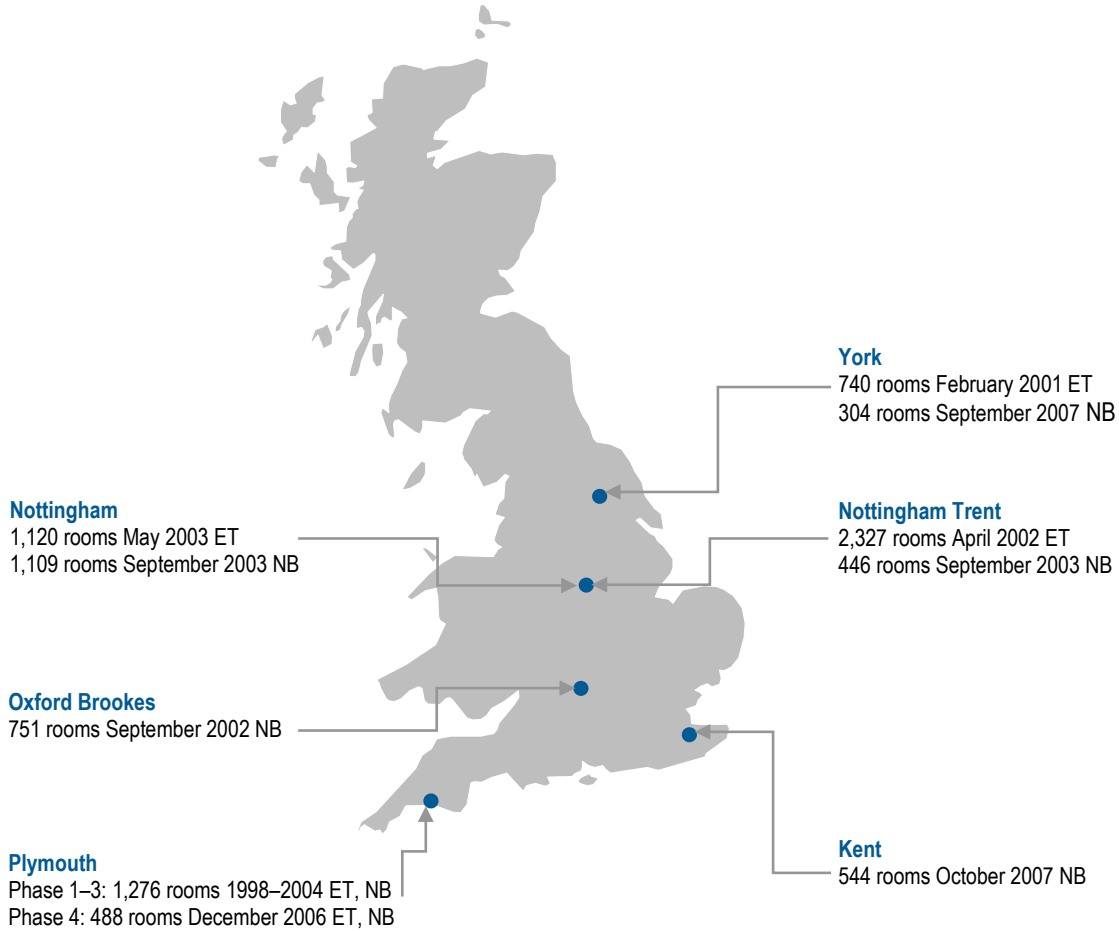
Elaine joined UPP in March 2012 as Managing Director of UPP Asset Finance Limited, UPP's in-house finance arranger and project finance modelling capability. At the same time she was appointed as a Director of UPP Group. Prior to joining UPP, Elaine was employed for 12 years at DWPF, where she was UPP's account manager and raised finance for a number of UPP's financing transactions. This included the Lancaster Student Residences project in 2003, which she refinanced in 2007, several transactions for the University of Plymouth, the Broadgate Park refinancing in 2009 and the recent Reading estate transfer transaction. She also arranged the finance for the UPP Group restructuring in 2008 through the establishment of a warehouse debt facility.

Elaine is a chartered accountant and graduate of the University of Bath. Prior to joining DWPF she had a number of roles at the interface between public and private sectors, including acting as adviser to universities on PPP projects and, as a secondee within the Department of Trade and Industry, providing advice to ministers on grant aid to businesses.

## THE ASSETCOS

### Overview

Detailed below are the high-level descriptions of the AssetCos and the respective universities where the accommodation is operated.



"ET" = Estate Transfer; "NB" = New Build

Source: UPP

### UPP (Alcuin) Limited

This AssetCo operates accommodation for students studying at the University of York.

The University of York is a large research led university with 13,945 students. Despite being relatively new (established in the 1960's) it has grown to become a well-regarded institution ranking in the top twenty for each of Sunday Times, Guardian and The Independent's university league table. It is ranked 15<sup>th</sup> in the Sunday Times Guide ranking for 2013. In 2012, York joined the Russell Group of universities.

The university is looking to continue growing and has one of the largest capital investment plans of any UK HEI with a planned investment of £750m on upgrading and expanding their infrastructure.

#### *The Accommodation*

<b>Partner University:</b> .....	University of York
<b>Number of Rooms:</b> .....	1,043
<b>Accommodation:</b> .....	En suite single rooms in flats of six to eight students in three residences, let over 33, 39, 41 and 51 week letting periods

<b>Location:</b> .....	On campus
<b>First Operational (academic year):</b> .....	2002/03
<b>Fully Operational (academic year):</b> .....	2007/08
<b>Student to Bed Ratio:</b> .....	2.8:1 (Academic Year 2011/2012)
<b>Applications: Acceptances Ratio:</b> .....	6.4:1 (5.8:1 UK Institutional Average) (Academic Year 2011/2012)
<b>Applications Growth (CAGR 2008-2011):</b> .....	8.8 per cent (9.0 per cent UK Institutional Average)
<b>University Stock (UPP/University/Others):</b> .....	20 per cent / 80 per cent / 0 per cent (Academic Year 2011/2012)
<b>Key Selectivity Criteria:</b> .....	Quality of institution; self-contained campus; limited private rented supply
<b>Remaining lease:</b> .....	39 years/45 years
<b>Student population:</b> .....	CAGR 2001–2011 7.2 per cent
<b>Other Details:</b> .....	Russell Group University, Top 15 ranked Rooms 100 per cent Occupancy since inception Incorporates postgraduate teaching facility within the accommodation unit

### UPP (Broadgate Park) Holdings Limited

This AssetCo operates accommodation for students studying at the University of Nottingham.

The University of Nottingham is a research intensive university attracting 34,120 students in 2009/10, making it the third largest by population in the United Kingdom. The university is one of the Country's leading institutions and is a member of the Russell Group (the association of the United Kingdom's 20 leading research universities). It is ranked 21<sup>st</sup> in the Sunday Times Guide ranking for 2013.

The Partner University was one of the first to embrace a truly international approach to higher education, opening a branch campus in Malaysia in 2000, and a campus in Ningbo, China in 2004. The Partner University is one of the largest in the UK both in terms of students and financially, with an annual turnover of £511m placing it in the top 10 of UK HEIs.

#### *The Accommodation*

<b>Partner University:</b> .....	University of Nottingham
<b>Number of Rooms:</b> .....	2,229
<b>Accommodation:</b> .....	A combination of en suite single rooms (in 6-8 unit cluster flats); self-contained studio accommodation and standard single rooms.
<b>Location:</b> .....	West Entrance, University Park Campus
<b>First Operational (academic year):</b> .....	2003/04
<b>Fully Operational (academic year):</b> .....	2006/07
<b>Students to Bed Ratio:</b> .....	2.7:1 (Academic Year 2011/2012)
<b>Applications: Acceptances Ratio:</b> .....	7.3:1 (5.8:1 UK Institutional Average)(Academic Year 2011/2012)
<b>Applications Growth (CAGR 2008-2011):</b> .....	8.2 per cent (9.0 per cent UK Institutional Average)
<b>University Stock (UPP/University/Others):</b> .....	27 per cent / 49 per cent / 24 per cent (Academic Year 2011/2012)
<b>Key Selectivity Criteria:</b> .....	Quality of institution; academic popularity; strong enrolment growth; location adjacent to main Campus
<b>Remaining lease:</b> .....	36 years
<b>Student population:</b> .....	CAGR 2001–2011 5.5 per cent
<b>Other Details:</b> .....	Russell Group institution UPP has the only self-catered accommodation serving the University Park Campus and the only accommodation offering 51 week contracts for international students

UPP (Broadgate Park) Limited is a wholly owned subsidiary of UPP (Broadgate Park) Holdings Limited and will also make certain representations, warranties and covenants and be subject to certain events of default under the Transaction Documents. UPP (Broadgate Park) Limited will also grant certain security over all of its assets in respect of any liabilities arising in connection therewith. It will not enter directly into an On-Loan Agreement or AssetCo Hedging Agreements or enter into an AssetCo Guarantee. The

financial statements for the years ended 31 August 2012 and 31 August 2011 of UPP (Broadgate Park) Holdings Limited contained herein are prepared on a consolidated basis and include financial information on UPP (Broadgate Park) Limited in respect of those periods.

**UPP (Kent Student Accommodation) Limited**

This AssetCo operates accommodation for students studying at the University of Kent.

The University of Kent is a leading research university in the United Kingdom with 19,265 students. The university has experienced significant growth in recent years with the student population growing by 13 per cent between 2004/05 and 2009/10 compared to a United Kingdom average of 9 per cent. It is ranked 28<sup>th</sup> in the Sunday Times Guide ranking for 2013.

Kent brands itself as the UK's European University with long-standing partnerships with over 100 universities in mainland Europe and academic centres in Brussels and Paris. Kent has a strong research background with 97 per cent of academic staff work in schools or centres where the research is rated as internationally or nationally excellent (RAE 2008).

*The Accommodation*

<b>Partner University:</b> .....	University of Kent
<b>Number of Rooms:</b> .....	544
<b>Accommodation:</b> .....	En suite rooms in cluster flats (8 units per flat) let over 40/50 week contracts. Transaction also included lecture theatre, supporting academic and social facilities.
<b>Location:</b> .....	On Campus
<b>First Operational (academic year):</b> .....	2008/09 (September)
<b>Fully Operational (academic year):</b> .....	2008/09 (December)
<b>Students to Bed Ratio:</b> .....	2.2:1 (Academic Year 2011/2012)
<b>Applications: Acceptances Ratio:</b> .....	5.3:1 (5.8:1 UK Institutional Average) (Academic Year 2011/2012)
<b>Applications Growth (CAGR 2008-2011):</b> .....	12.2 per cent (9.0 per cent UK Institutional Average)
<b>University Stock (UPP/University/Others):</b> .....	21 per cent / 75 per cent / 3 per cent (Academic Year 2011/2012)
<b>Key Selectivity Criteria:</b> .....	Quality of institution; strong enrolment growth; self-contained campus; lack of alternative supply.
<b>Remaining lease:</b> .....	46 years
<b>Student population:</b> .....	CAGR 2001–2011 7.9 per cent
<b>Other Details:</b> .....	Only postgraduate accommodation 100 per cent Occupancy since inception on a 51 week basis UPP's accommodation has preferential marketing to post-graduates Competitive rents for both postgraduate and undergraduates

**UPP (Nottingham) Limited**

This AssetCo operates accommodation for students studying at Nottingham Trent University.

Nottingham Trent University acquired its university status in 1992. According to Times University Guide 2011/2012, it is a leading university in terms of employability with 94 per cent of graduates entering employment or further study within six months of graduating. It is ranked 67<sup>th</sup> in the Sunday Times Guide ranking for 2013.

The university champions its employability by its extensive links with industry numbering over 6,000 companies including the BBC, Rolls-Royce, HSBC and Microsoft who offer opportunities for work experience. The University has also invested strongly in their facilities at their City and Clifton Campuses in the last three years particularly with the £90m regeneration of the Newton and Arkwright listed buildings.

*The Accommodation*

**Partner University:** ..... Nottingham Trent University

<b>Number of Rooms:</b> .....	2,773
<b>Accommodation:</b> .....	A wide mix of standard single and en suite single rooms in nine residences, organised in cluster flats let over 44 and 51 weeks.
<b>Location:</b> .....	Various – Eight are located conveniently to serve the main City Campus; one residence is located on, and serves, the Clifton Campus.
<b>First Operational (academic year):</b> .....	2002/03
<b>Fully Operational (academic year):</b> .....	2005/06
<b>Students to Bed Ratio:</b> .....	4.1:1 (Academic Year 2011/2012)
<b>Applications: Acceptances Ratio:</b> .....	6.3:1 (5.8:1 UK Institutional Average) (Academic Year 2011/2012)
<b>Applications Growth (CAGR 2008-2011):</b> .....	14.1 per cent (9.0 per cent UK Institutional Average)
<b>University Stock (UPP/University/Others):</b> .....	84 per cent / 16 per cent / 0 per cent (Academic Year 2011/2012)
<b>Key Selectivity Criteria:</b> .....	Quality of management team; strong student to bed ratio; leading graduate employability scores; strong enrolment growth; strong commercial terms.
<b>Remaining lease:</b> .....	36 years
<b>Student population:</b> .....	CAGR 2001–2011 3.9 per cent
<b>Other Details:</b> .....	Leading new university UPP has preferential marketing Accommodation servicing University guarantee 100 per cent Occupancy since 07/08

### **UPP (Oxford Brookes) Limited**

This AssetCo operates accommodation for students studying at Oxford Brookes University.

Oxford Brookes University is a modern institution, with a population of 18,810 students. The university has won the Sunday Times Best Modern University award 11 times in the past 12 years. It is ranked 47<sup>th</sup> in the Sunday Times Guide ranking for 2013.

Oxford Brookes University's strategic plans include a capital investment programme of £150m in its campuses to improve and expand the facilities for students and academics. This programme of activities started in 2011.

#### *The Accommodation*

<b>Partner University:</b> .....	Oxford Brookes University
<b>Number of Rooms:</b> .....	751
<b>Accommodation:</b> .....	En suite single rooms in six bed cluster flats let over 50 weeks.
<b>Location:</b> .....	On Campus
<b>First Operational (academic year):</b> .....	2002/03
<b>Fully Operational (academic year):</b> .....	2003/04
<b>Students to Bed Ratio:</b> .....	1.8:1 (Academic Year 2011/2012)
<b>Applications: Acceptances Ratio:</b> .....	7.2:1 (5.8:1 UK Institutional Average) (Academic Year 2011/2012)
<b>Applications Growth (CAGR 2008-2011):</b> .....	10.8 per cent (9.0 per cent UK Institutional Average)
<b>University Stock (UPP/University/Others):</b> .....	16 per cent / 65 per cent / 19 per cent <sup>13</sup> (Academic Year 2011/2012)
<b>Key Selectivity Criteria:</b> .....	Quality of institution; academic popularity; strong enrolment growth; strictly limited private rented sector; strong commercial terms.
<b>Remaining lease:</b> .....	38 years
<b>Student population:</b> .....	CAGR 2001–2011 2.5 per cent
<b>Other Details:</b> .....	UPP's accommodation has a controlled rent mechanism Strong administration arrangements Rooms 100 per cent reserved every year since inception

<sup>13</sup> Other partners are on short-term nomination agreements (year to year basis).

## UPP (Plymouth Three) Limited

This AssetCo operates accommodation for students studying at Plymouth University.

Plymouth University is the 13th largest university in the United Kingdom in terms of student numbers, and the largest in the South West, with 21,240 full time students. It is ranked 50th in the Sunday Times Guide ranking for 2013.

The university states that its mission is to be the 'enterprise university' and consequently encourages student and graduate entrepreneurship by offering business incubation spaces on campus. It is home to one of Europe's largest marine institutes and is launching its new medical and dental school this academic year, born out of a partnership with the University of Exeter and the NHS.

### *The Accommodation*

<b>Partner University:</b> .....	Plymouth University
<b>Number of Rooms:</b> .....	1,764
<b>Accommodation:</b> .....	A wide mix of standard single and en suite single rooms in six residences, organised in cluster flats of between three and six rooms, let over 40,41 and 51 weeks.
<b>Location:</b> .....	On Campus
<b>First Operational (academic year):</b> .....	1999/00
<b>Fully Operational (academic year):</b> .....	2008/09
<b>Students to Bed Ratio:</b> .....	3.7:1 (Academic Year 2011/2012)
<b>Applications: Acceptances Ratio:</b> .....	4.3:1 (5.8:1 UK Institutional Average) (Academic Year 2011/2012)
<b>Applications Growth (CAGR 2008-2011):</b> .....	7.5 per cent (9.0 per cent UK Institutional Average)
<b>University Stock (UPP/University/Others):</b> .....	70 per cent / 0 per cent / 30 per cent <sup>14</sup> (Academic Year 2011/2012)
<b>Key Selectivity Criteria:</b> .....	Quality of management team; strong enrolment growth; strong student to bed ratio; limited residential supply.
<b>Remaining lease:</b> .....	46 years/87 years f/h
<b>Student population:</b> .....	CAGR 2001–2011 3.6 per cent
<b>Other Details:</b> .....	Accommodation in close proximity to Partner University Only 60 per cent of first years provided for Untapped returner demand

## AssetCo Financial and Operating Performance

### Historic Performance

The following tables summarise the financial performance of the AssetCos over the last four financial years.

#### *Aggregate performance of the AssetCos*

	2008/09	2009/10	2010/11	2011/12
Average Weighted Occupancy.....	99.5%	99.1%	99.9%	99.9%
Sales .....	36,171	38,386	40,663	41,851
Cost of Sales.....	(11,631)	(11,474)	(12,013)	(12,665)
Gross profit.....	24,540	26,912	28,651	29,186
Overheads (excl Sinking Fund).....	(2,113)	(1,877)	(1,922)	(2,052)
<b>EBITDA (excl Sinking Fund).....</b>	<b>22,427</b>	<b>25,035</b>	<b>26,728</b>	<b>27,134</b>
Sinking Fund Expenditure .....	(2,213)	(1,945)	(2,222)	(2,906)
<b>EBITDA .....</b>	<b>20,214</b>	<b>23,090</b>	<b>24,507</b>	<b>24,228</b>

#### *Proportional EBITDA (excluding sinking fund) by AssetCo:*

	2008/09	2009/10	2010/11	2011/12
UPP (Alcuin) Limited.....	13%	13%	13%	13%
UPP (Broadgate Park) Holdings Limited.....	27%	24%	25%	25%
UPP (Kent Student Accommodation) Limited.....	6%	7%	7%	7%
UPP (Nottingham) Limited.....	27%	27%	27%	27%

<sup>14</sup> Other partners are on short-term nomination agreements (year to year basis).

UPP (Oxford Brookes) Limited.....	10%	10%	10%	10%
UPP (Plymouth Three) Limited.....	17%	18%	18%	18%

The AssetCos have benefited from steady rental increase and high occupancy. In 2008/09 the proportionally higher cost of sales is due to a peak in utility costs and overheads include one off operational modelling costs.

#### *UPP (Alcuin) Limited*

The AssetCo at the University of York has consistently performed above modelled expectations. Occupancy and rental growth have been strong. As part of the contractual agreement at this AssetCo, the university is responsible for delivery of some soft FM services.

	2008/09	2009/10	2010/11	2011/12
Occupancy.....	100%	100%	100%	100%
Sales.....	4,396	4,765	4,960	5,149
Cost of Sales.....	(1,231)	(1,146)	(1,204)	(1,219)
Gross profit.....	3,166	3,619	3,756	3,931
	72%	76%	76%	76%
Overheads (excl Sinking Fund).....	(346)	(267)	(261)	(306)
<b>EBITDA (excl Sinking Fund).....</b>	<b>2,819</b>	<b>3,352</b>	<b>3,495</b>	<b>3,625</b>
Sinking Fund Expenditure.....	(266)	(569)	(81)	(462)
<b>EBITDA.....</b>	<b>2,554</b>	<b>2,783</b>	<b>3,414</b>	<b>3,162</b>

#### *UPP (Broadgate Park) Holdings Limited*

For the academic term 2009/10 the planned refurbishment work of 856 standard rooms reduced the total number of rooms available for letting. However, of those rooms available for let, 100 per cent were sold. The significant increase in turnover in 2010/11 was due both to the full availability of all rooms combined with an increase in the weekly rent chargeable on the refurbished rooms.

	2008/09	2009/10	2010/11	2011/12
Occupancy.....	97.5%	99.9%	99.8%	99.4%
Sales.....	9,130	9,286	10,287	10,440
Cost of Sales.....	(2,560)	(2,676)	(2,890)	(3,047)
Gross profit.....	6,570	6,611	7,397	7,394
	72%	71%	72%	71%
Overheads (excl Sinking Fund).....	(542)	(599)	(609)	(571)
<b>EBITDA (excl Sinking Fund).....</b>	<b>6,028</b>	<b>6,012</b>	<b>6,788</b>	<b>6,823</b>
Sinking Fund Expenditure.....	(314)	(396)	(410)	(486)
<b>EBITDA.....</b>	<b>5,713</b>	<b>5,616</b>	<b>6,379</b>	<b>6,337</b>

#### *UPP (Kent Student Accommodation) Limited*

Financial year (FY) 08/09 was the first year of operations for the project at the University of Kent. Income has grown consistently and overheads have remained stable. As the construction element of the Project was completed in September 2008 and as a result annual sinking fund expenditure has been of a limited nature.

	2008/09	2009/10	2010/11	2011/12
Occupancy.....	100%	100%	100%	100%
Sales.....	2,330	2,696	2,837	2,948
Cost of Sales.....	(781)	(793)	(818)	(858)
Gross profit.....	1,549	1,904	2,019	2,090
	66%	71%	71%	71%
Overheads (excl Sinking Fund).....	(206)	(172)	(179)	(194)
<b>EBITDA (excl Sinking Fund).....</b>	<b>1,344</b>	<b>1,732</b>	<b>1,839</b>	<b>1,896</b>
Sinking Fund Expenditure.....	(7)	(8)	(26)	(38)
<b>EBITDA.....</b>	<b>1,336</b>	<b>1,724</b>	<b>1,813</b>	<b>1,858</b>

### *UPP (Nottingham) Limited*

The AssetCo at Nottingham Trent University has performed consistently over the last 4 years. Significant planned sinking fund works have been undertaken over the past two years in line with modelled expectations.

	<u>2008/09</u>	<u>2009/10</u>	<u>2010/11</u>	<u>2011/12</u>
Occupancy.....	100%	100%	100%	100%
Sales.....	10,526	11,185	11,692	11,959
Cost of Sales.....	(4,038)	(4,025)	(4,209)	(4,469)
Gross profit.....	6,488	7,161	7,483	7,490
	62%	64%	64%	63%
Overheads (excl Sinking Fund).....	(383)	(291)	(345)	(371)
<b>EBITDA (excl Sinking Fund).....</b>	<b>6,105</b>	<b>6,869</b>	<b>7,137</b>	<b>7,120</b>
Sinking Fund Expenditure.....	(672)	(579)	(1,211)	(1,157)
<b>EBITDA.....</b>	<b>5,434</b>	<b>6,291</b>	<b>5,927</b>	<b>5,963</b>

### *UPP (Oxford Brookes) Limited*

The AssetCo at Oxford Brookes University benefits from a controlled rent mechanism. This incentivises the university to Nominate the rooms at the AssetCo residence, typically six months before the start of the academic year. The university has Nominated all the rooms since inception of the Project.

	<u>2008/09</u>	<u>2009/10</u>	<u>2010/11</u>	<u>2011/12</u>
Occupancy.....	100%	100%	100%	100%
Sales.....	3,445	3,563	3,700	3,859
Cost of Sales.....	(906)	(857)	(835)	(889)
Gross profit.....	2,539	2,706	2,864	2,971
	74%	76%	77%	77%
Overheads (excl Sinking Fund).....	(199)	(157)	(166)	(189)
<b>EBITDA (excl Sinking Fund).....</b>	<b>2,340</b>	<b>2,549</b>	<b>2,699</b>	<b>2,781</b>
Sinking Fund Expenditure.....	(31)	(155)	(110)	(294)
<b>EBITDA.....</b>	<b>2,309</b>	<b>2,393</b>	<b>2,589</b>	<b>2,488</b>

### *UPP (Plymouth Three) Limited*

The AssetCo at University of Plymouth benefits from extremely strong demand and supply characteristics. The AssetCo has therefore benefited from consistent performance with strong rental growth. It also benefits from vacation income which is guaranteed by the university.

	<u>2008/09</u>	<u>2009/10</u>	<u>2010/11</u>	<u>2011/12</u>
Occupancy.....	100%	100%	100%	100%
Sales.....	6,343	6,890	7,189	7,495
Cost of Sales.....	(2,116)	(1,978)	(2,056)	(2,184)
Gross profit.....	4,228	4,912	5,132	5,311
	67%	71%	71%	71%
Overheads (excl Sinking Fund).....	(437)	(391)	(362)	(422)
<b>EBITDA (excl Sinking Fund).....</b>	<b>3,791</b>	<b>4,521</b>	<b>4,770</b>	<b>4,890</b>
Sinking Fund Expenditure.....	(923)	(239)	(384)	(470)
<b>EBITDA.....</b>	<b>2,868</b>	<b>4,283</b>	<b>4,386</b>	<b>4,420</b>



## Project Framework

This section summarises the contractual framework which applies to each of the Projects. The contractual model which UPP uses is subject to individual negotiation and variation to reflect the commercial negotiations between the parties and the specific requirements of the relevant Partner University. Summarised in this section are the principal provisions of the legal documents which constitute the Projects. Where a particular project treats one of the key contractual provisions differently from the description in this section, that treatment is summarised in the section entitled "*The Asset Cos – AssetCo Specific Summaries*". Further details on specific contractual terms, operating information and performance for each AssetCo are set out in the section entitled "*The AssetCos – AssetCo Specific Summaries*".

### General Terms Applicable to all Projects

In this section and in the section entitled "*The AssetCos – AssetCo Specific Information*":

- A "**Room**" is an individual unit of student accommodation in the project for which an occupier pays a licence fee ("**Rent**"). Rooms are usually clustered into flats of 6 or more rooms with common kitchens and living areas. There may be 2 or more flats on a floor. The accommodation is usually split into blocks, which are accessed by a controlled entrance. Rooms are a mixture of en-suite, non en-suite and studios.
- Students are required to enter into agreements which specify the amount of the rent, the period of the licence and the services with which they will be provided and the facilities which will be available to them.
- A room is "**Available**" if it, and the flat it forms part of meet stated criteria, such that the room and flat must exist and be physically sound, comply with health and safety and other legal requirements, have functioning furniture and kitchen equipment, and that the heating and lighting must work to specified standards and "**Unavailable**" means that a room does not meet these requirements.
- Key performance indicators ("**KPIs**") are the means of judging the quality of service delivery. Each of the services has specific requirements and a stated method of judging whether performance of each individual service requirement has been achieved (which is the KPI). If the KPIs are not met, deductions for poor performance can be made, subject to a project-specific maximum. Performance of the services is measured by the FM Contractor stating whether it has met the relevant KPI.
- Availability criteria and KPIs will either be part of the project agreement, in which case the Partner University may impose them directly against the AssetCo, and/or part of the FM Contract, in which case the AssetCo imposes them on the FM Contractor.
- Each Project has a fund for replacing specified items based on predicted failure (a "**Sinking Fund**"). The AssetCo is required to establish a Sinking Fund account and make regular specified payments to the Sinking Fund account at a level of payment determined by the financial forecasts for the project. These payments include an element of 'look forward', such that the payments for a year are typically 100 per cent. for that year's expected expenditure, 66 per cent. of the next year's and 33 per cent. of the year's after that.
- The FM Contractor provides the AssetCo with an annual schedule of sinking fund works for each project, which the AssetCo must approve, unless the cost of the works exceeds the balance in the sinking fund account for the project for such annual period. The AssetCo pays the FM Contractor the cost of these works plus a 7.5 per cent. management fee.

## **Overall Project Framework**

The Projects have two broad structures:

### *Fixed Term Projects*

In these Projects, the AssetCo holds one or more headleases that will run until the contracted end date of the Project which the Partner University cannot terminate early. If there is insufficient demand from students of the Partner University, AssetCo may terminate certain provisions of the Project which will mean that the AssetCo is no longer obliged to allow the Partner University to control those rooms and the Partner University will no longer be obliged to market and allocate the accommodation to its own students. The AssetCo can let the project buildings for broader or alternative (usually residential) uses, as long as the alternative uses are compatible with a university campus and do not pose a health and safety risk to the students of the Partner University where these students continue to occupy some part or parts of the accommodation.

Accordingly under the fixed term projects, AssetCo will retain its interests in the headlease for the whole of the original contract term of the Project and will continue to be able to exploit the accommodation to generate income.

The fixed term projects are UPP (Alcuin) Limited, UPP (Plymouth Three) Limited and UPP (Kent Student Accommodation) Limited.

### *Terminable Projects*

In these Projects, whilst the AssetCo holds one or more headleases that will run until the end date of the Project, the principal agreement is a project agreement or underlease between the Partner University and the AssetCo. The Partner University can only terminate this project agreement or underlease before the contractual end-date for specified insolvency events, AssetCo breaches of its obligations or if the AssetCo fails to reach specified standards of room quality or availability.

If the Partner University terminates a terminable project early, it must pay the AssetCo a capital sum as compensation on termination or leave the AssetCo with the headlease so that it can continue to exploit the project buildings; whereas under the fixed term projects no capital sum is payable.

The terminable projects are: UPP (Oxford Brookes) Limited, UPP (Nottingham) Limited and UPP (Broadgate Park) Holdings Limited.

## **AssetCo Project Framework**

### *Headlease*

At the commencement of the Project, the AssetCo enters into a headlease (as tenant) with the Partner University. The headlease does not contain any early break rights (unless, in relation to terminable projects, the Partner University has paid the compensation on termination due to the AssetCo) and has limited covenants and obligations on AssetCo and reserves a nominal rent (usually a peppercorn). The headlease gives the AssetCo a proprietary interest in the accommodation and all the rights it needs, for example: access; drainage; and other necessary property rights, which ensure that the accommodation can be properly serviced and beneficially occupied for its intended purpose. The headlease regulates the use of the land during the term of the Project and sets out any title matters which the AssetCo must comply with and which affect the underlying freehold title of the Partner University's land out of which the headlease is granted. Before entering into the headlease, the AssetCo undertakes a comprehensive investigation of the title to the Partner University's land and will have commissioned searches of public and local authorities. The title investigation is undertaken in order to satisfy the AssetCo that there are no restriction on the title which could affect its use or occupation of the accommodation; or impose costs which it has not taken into account.

If the Project includes multiple blocks of accommodation, the AssetCo may be granted more than one headlease, typically one for each block. The extent of the land included in the headlease will generally be limited to the footprint of the buildings and their foundations.

The headlease(s) do not enjoy statutory security of tenure under relevant landlord and tenant legislation applicable in England and Wales. As a consequence, the AssetCo is not automatically entitled to a new lease on the expiry of the original headlease.

### ***Underlease/Project Agreement***

Following the grant of the headlease (or where the Project involves the construction of new buildings or the refurbishment of existing stock, then on practical completion of the new buildings or the refurbishment) the AssetCo will grant an underlease to or enter into a project agreement with the Partner University for the project term (or in the case of UPP (Broadgate Park) Holdings Limited via one of its subsidiaries). (For convenience, the term "**project agreement**" is used to refer to either an underlease or a project agreement.)

The project agreement is the key commercial agreement between AssetCo and the Partner University under which the Partner University undertakes the marketing and allocation of the rooms, collects rents due from students or other occupiers under SRAs and pays them to AssetCo (as rent) under the project agreement.

The following are the principal provisions of the project agreement:

- ***Marketing and Allocation***

The Partner University is responsible for marketing and allocating the accommodation to its students through its website and other marketing literature or media and will process the applications for accommodation as part of its admissions process. Marketing and allocation must be done (at least) on an even handed basis so that the AssetCo's accommodation is given the same level of prominence as other accommodation owned or controlled by the Partner University. Allocation is also undertaken on a similar basis, with first year students being given priority before returning students or post-graduates, other than in relation to rooms specifically identified for such purposes.

AssetCo has the right to approve all the marketing materials and/or the website content relating to its rooms.

Allocations are made in accordance with expressed student preferences and once a student has reserved a room, after an offer of a place to study has been made or has become unconditional, a deposit is required to secure the booking (usually of between £200 and £250).

The project agreement will specify the rental periods for each type of room and that these cannot be changed without the consent of the AssetCo.

- ***Restrictive Covenant***

To protect the investment made by the AssetCo and its assumption of demand risk, the Partner University will be prevented from adding to its stock of accommodation, either directly or indirectly, by a restrictive covenant. The restrictive covenant prevents the Partner University from building new accommodation or entering arrangements with third parties to provide accommodation for the Partner University unless certain tests are met. The tests seek to preserve the demand supply ratios at acceptable levels. The ratio is calculated by reference to the total number of full-time students requiring accommodation and the aggregate supply of rooms. There are some limited exceptions to the application of the restrictive covenant, for example for short term spikes in demand (in which case, arrangements entered into by the Partner University can endure for no more than one academic year). The restrictive covenant only applies to accommodation which is owned or controlled directly or indirectly by the Partner University.

- ***Credit and Void Risk***

The rent payable to the AssetCo by the Partner University under the project agreement is calculated on a receivable basis. Accordingly, once a student has entered into an SRA and is accepted as a student of the Partner University, the Partner University must continue to pay rent to the AssetCo in respect of that SRA for the whole of the relevant letting period, notwithstanding that the student may default under the SRA, give up a course of study or be

asked to leave the Partner University.<sup>15</sup> The commercial rationale for this approach is that the Partner University is best placed to manage this risk and furthermore, if a student defaults in the payment of rent, eviction can only occur following a court order (it being a criminal offence under English law to evict an occupier without such a court order). If the Partner University finds a replacement occupier (after a room having been vacated) it retains the rent from that replacement SRA.

- *Rent Collection and Payment*

The Partner University is responsible for collecting the rents and other sums payable under the SRAs and it pays them on three or four fixed dates during the academic year to the account notified by the AssetCo to the Partner University. The Partner University is able to deduct from the sums due to the AssetCo an amount (typically 3 per cent. or 4 per cent. of the aggregate rent roll) as reimbursement for the costs incurred by the Partner University in marketing and allocating the accommodation to its students and for assuming the credit and void risk.

- *Provision of Services*

The AssetCo provides facilities management services in accordance with a detailed and comprehensive specification. The purpose of the specification is to prescribe that the accommodation is maintained in good and substantial repair and condition and handed back to the Partner University in that condition. The main services are:

- (a) cleaning, security, portage, routine repair and maintenance, reactive maintenance (that is in response to specific breakdowns or failures, for which reaction times are specified depending on the nature of the fault), the provision of essential items (such as desks, furniture, task lighting, kitchen equipment, beds and storage), lighting, heating and hot water; and
- (b) the long term repair and (where necessary) replacement of the fabric and structure of the buildings and its plant and equipment and the replacement of the essential items referred to in (a) as and when they reach the end of their economic life. (The cost of this work is met from the Sinking Fund, which is fully funded by the AssetCo – see the paragraph entitled "*General Terms Applicable to all Projects*" above for further details.

The services must be undertaken in accordance with all applicable legislation, good industry practice and with the level of skill and care to be expected of an experienced and competent contractor. The AssetCo's performance of these services is measured by the KPIs.

If the AssetCo fails to keep the accommodation maintained to the required standards (the precise trigger point will vary from Project to Project) the Partner University may step into the services, remedy the default and recover its costs from AssetCo. Management of these services is outsourced to URSL

- *Rent Setting and Pass Through of Costs*

Rents for each type of room are set annually based on the mechanism set out in the project agreement. The AssetCo can pass through cost increases to rents subject to the market rent being able to absorb the increased costs without adversely affecting demand from students.

There are four rent setting mechanisms applicable to the Projects. These are:

- (a) **Market rent:** annual rent increases which are agreed with the Partner University where rents are set with consideration to the market supply and demand characteristics. There are no restrictions on the amount by which the rents can be increased or cost increases which can be passed through to the rents; the AssetCo sets the rents at its discretion;

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<sup>15</sup> Save in respect of UPP (Broadgate Park) Holdings Limited, where transfer of credit and void risk will be effective as of the 2013/2014 academic year.

- (b) **Benchmarked rent:** the AssetCo and the Partner University set the rents annually, but the increases are restricted to an RPI formula plus pass through of increased costs (e.g. insurances, utilities). These rents are then subject to five-yearly benchmarking review to test them against rents for comparable local stock and then rebased in line with the benchmarking review;
- (c) **Controlled rent:** the Partner University Nominates rooms at the start of the academic year. For each Nominated room, the Partner university pays the AssetCo a pre-determined controlled rent (which is increased in line with RPI and FM benchmarking) in return for a university guarantee of the aggregate rent for Nominated rooms. In the event rooms are not Nominated by the Partner University, the AssetCo may set a market based rent; and
- (d) **Base rent:** specified increases in the rent are subject to RPI and cost recovery where the AssetCo and Partner University agree increases at or above a calculated base rent with consideration to demand and supply characteristics.

- *Use and Alternative Use*

The accommodation can only be used as student accommodation, with some limited categories of other defined use, for example key workers, whilst the project agreement subsists. Other uses will be permitted, generally any use for which a planning permission can be obtained, if demand for the accommodation from students declines during the term of the project and as a result vacancy rates fall below the parameters agreed at the commencement of the project. The alternative uses must be consistent with the nature of the accommodation and must not pose a threat to the health and safety of student occupiers. In certain cases there are provisions for taking a block of accommodation out of student use if there is a decline in demand, and that redundant blocks can then be employed for other commercial or residential uses. The remainder of the blocks continue to be marketed and allocated to students of the Partner University under the provisions outlined above.

- *Insurance*

- (a) Each AssetCo must take out comprehensive insurance policies for:
  - (i) material damage on operational assets for the full reinstatement value subject to market excesses;
  - (ii) loss of revenue for indemnity periods between 24 and 36 months; and
  - (iii) public liability.

In general, the Project Agreement will require the insurance proceeds received under the material damage policy to be applied in reinstating the loss or damage.

AssetCos are not required to take out insurance policies to cover uninsurable risks, (for example, those that are not readily coverable by the United Kingdom insurance market or are subject to onerous premiums). If an uninsurable risk occurs, the Partner University may act as the insurer of last resort.

- *Termination by the Partner University for AssetCo Default*

The termination regime varies depending on the nature of the Project:

*Fixed term projects* – The grounds on which the project agreement can be terminated by the Partner University are insolvency or insolvency related events and material breach of the AssetCo's obligations i.e. breaches which would have a significant impact on the Partner University's business under the project agreement.

*Terminable projects* – In addition to insolvency or insolvency related events and material breach of AssetCo's obligations, which can give rise to termination; failure to perform the services to acceptable standards, a greater than specified level of Unavailability, non-payment of sums due

to the Partner University and failure of the FM Contractor can also be grounds for termination by the Partner University.

Termination will be subject to the rights of the secured creditors of the AssetCo under the direct agreement with the Partner University to step into the project and assume responsibility for it, which prevents the Partner University from giving effect to a termination for so long as the step in subsists.

Terminable projects additionally give rise to an entitlement to compensation on termination if the project agreement is terminated.

- *Termination by the AssetCo for Partner University Default*

The principal causes which give rise to the AssetCo being able to terminate the project agreement against the Partner University are:

- (a) insolvency or insolvency related events.
- (b) breach of the Partner University's material obligations under the project agreement, for example to market or allocate rooms in accordance with agreed procedures or a breach of the restrictive covenant.

- *Changes in Law and Variations*

AssetCo must comply with changes in the law even if these give rise to a requirement to incur additional capital expenditure. The consequence of the change in law is that AssetCo can pass the costs through to the rents.

As with the headlease, the project agreement does not enjoy security of tenure under relevant landlord and tenant legislation, so the Partner University is not automatically entitled to a new project agreement on the expiry of the original.

### ***Direct Agreements***

There is a direct agreement which regulates the ability of the Partner University to terminate the project agreement against the AssetCo without giving the secured creditors of the AssetCo the opportunity to remedy the AssetCo's default.

The direct agreement requires the Partner University to give the Issuer a copy of any notice to terminate under the project agreement. The Issuer then has a period of 30 days to decide whether to step into the project, which is done through the appointment of an Appointed Representative, who assumes the AssetCo's contractual obligations under the project agreement and is liable to discharge the AssetCo's obligations. A condition of step-in will be that any outstanding financial obligations of the AssetCo to the Partner University are discharged. For so long as the Appointed Representative has stepped into the project agreement and complies with the terms of the project agreement, the Partner University cannot terminate against the AssetCo.

In addition to step in rights, the direct agreement also requires the Partner University to consent to the disposal of the relevant project (either a sale of the shares in the AssetCo or the assignment of the project agreement and related contracts) to a substitute contractor who satisfies certain tests as to experience suitability to undertake the project.

In addition to the direct agreement with the Partner University, the secured creditors of the AssetCo also have a direct agreement with the FM Contractor in relation to the FM Contract (summarised below). Likewise, this prevents the FM Contractor from exercising a right to terminate against the AssetCo and operates in much the same way as the project agreement direct agreement.

### ***The FM Contract between the AssetCo and the FM Contractor***

Each AssetCo has sub-contracted the services obligations and the risks relating to their delivery to the FM Contractor. Each FM Contract is based on a standard form contract. The overriding principle of the FM Contract is that AssetCo passes down to the FM Contractor all of its obligations to provide services and

the risks associated with the provision of the services, other than inherent defects and sinking fund adequacy, for the entire term of the Project.

#### *Services Specification*

A specification of the services required for each Project forms part of the FM Contract. The services must be carried out by the FM Contractor in accordance with applicable law, relevant consents (e.g. planning), reasonable skill and care, good industry practice and the relevant project agreements.

#### *Inherent Defects*

The FM Contractor is not liable for the consequences of defects in the project buildings that were not apparent at the date of the FM Contract. The FM Contractor must notify the AssetCo if it discovers a previously inherent defect that could materially increase the FM Contractor's costs. If the AssetCo does not rectify the defect, it is treated as a variation, which entitles the FM Contractor to recover its resulting extra costs.

#### *Sinking Fund Adequacy*

The AssetCo retains the risk of the adequacy of the Sinking Fund. If the Sinking Fund is insufficient to replace any of the specified items, a university may (depending on the project structure) have rights to levy service deductions (i.e. to reduce the net rent received by the AssetCo).

The FM Contractor must report annually to the AssetCo on the works that the FM Contractor considers are required to be undertaken to the project accommodation in relation to sinking fund items. The AssetCo must instruct that these works are done if they are covered by the available money in the Sinking Fund.

The AssetCo pays the FM Contractor's costs of providing the Sinking Fund report.

If the FM Contractor recommends works that are not covered by the available money in the Sinking Fund, the AssetCo can refuse to instruct the FM Contractor to undertake those works. In which case, the AssetCo may not levy any service deductions that arise out of the failure to do those works on the FM Contractor or, if the project allows the Partner University to levy service deductions, they cannot be passed on to the FM Contractor.

#### *Contract Price*

Between benchmarking dates, the FM Contractor's payment increases at RPI, apart from the employment costs component which is increased at RPI + ½ per cent.

#### *Benchmarking*

Benchmarking of all of the services takes place every 5 years during the FM Contract. The AssetCo can require the FM Contractor to prepare a benchmarking report recommending a fair market price for the services, backed-up by an analysis of the market and supporting information. This report either enables the AssetCo to agree the position with the Partner University (or to take it to dispute resolution); or agree the position with the FM Contractor (or to take it to dispute resolution).

#### *Service Deductions*

The FM Contract provides for service deductions for the projects where this is not done by the Partner University. The FM Contract has the performance regime outlined above. The AssetCo cannot make deductions from the FM Contractor's price for Unavailable rooms if:

- The AssetCo has paid an unreasonable amount in providing alternative accommodation;
- The room is Unavailable because of the actions or default of the Partner University, the AssetCo or the occupier;
- The FM Contractor remedies the cause within a specified period;

- The room is not required for use;
- The room was not declared unfit for use and was used during the period of Unavailability;
- The FM Contractor provides the occupier with satisfactory alternative accommodation and pays adequate compensation; or
- The Unavailability is caused by:
  - The AssetCo either not instructing the remediation of an inherent defect or not authorising sinking fund works by reason of their cost exceeding the amount in the sinking fund;
  - occupier damage that the AssetCo has not reinstated;
  - planned maintenance works; or
  - failure of a utility supplier.

#### *Insurance*

Taking out and managing insurance claims is undertaken by the AssetCo and the FM Contractor has no liability for remedying damage caused by risks that are not insured or for delayed receipt of insurance proceeds.

#### *Damage*

"**Damage**" in this context means damage to the project buildings caused by occupiers that needs to be remedied before the start of the next academic year.

Damage deposits are held by the AssetCo or the Partner University and these are typically between £200 and £250 per student. The FM Contractor has a standing instruction to remedy damage up to a cost of £2,500 per item, but beyond that the AssetCo can choose whether to instruct the FM Contractor to do the work. If the AssetCo does not instruct the work, the FM Contractor has no liability for the consequences.

#### *Variations and Changes in Law*

The AssetCo can propose a variation to the FM Contract, but not so as to infringe the law or good practice or materially and adversely to change the nature of the project.

After a request for a variation, the FM Contractor must provide an estimate of the cost and any changes required to the services or to the FM Contract. The AssetCo need not accept the estimate, unless it is a compulsory variation (such as after discovering an inherent defect). The AssetCo can refer the estimate to the disputes procedure. The FM Contractor may only proceed with a variation if the AssetCo confirms the estimate.

The FM Contractor can also propose a variation to the FM Contract. The AssetCo cannot reject this if it is needed to enable the FM Contractor to continue to provide the services and it does not adversely affect the use of the project buildings, but the AssetCo is not required to accept a price increase.

The AssetCo must accept and pay for variations in the services or the project buildings required to comply with a change in the law. The FM Contractor is not liable to the AssetCo for the consequences of it not authorising a change in law variation.

#### *Employees*

The FM Contractor pays the AssetCo for any amount by which actual employment costs exceed those in the financial model (as indexed) but receives the benefit if actual employment costs are lower than modelled costs.



### *Caps on Liability*

There is a cap on the liability of the FM Contractor should the AssetCo terminate the FM Contract for FM Contractor default. The cap is a percentage of the total FM costs and the figure is referred to in the section entitled "*The AssetCos - AssetCo Specific Summaries*".

*These items do not fall within the cap on liability:*

- death or personal injury claims;
- fraud;
- third party claims;
- vitiation of Project Co's insurance caused solely and intentionally by FM Contractor; or
- any liability that is met by insurance proceeds.

### *Termination*

The AssetCo can terminate the FM Contract if the FM Contractor:

- becomes insolvent or suffers an insolvency related event;
- no longer carries on its business;
- is in persistent material breach;
- stops providing all or a substantial part of the services;
- fails to pay undisputed amounts due in excess of £10,000 (RPI indexed); or
- puts the AssetCo in breach of the project agreement or underleases by reason of its breach of the FM Contract.

In certain projects, the FM Contract is also terminable if the Partner University has the right to require the AssetCo to terminate it. The AssetCo may terminate with immediate effect for an FM Contractor insolvency event or if the FM Contractor reaches any Unavailability and poor performance thresholds, but otherwise it must give the FM Contractor the chance to remedy its breach.

The FM Contractor can terminate the FM Contract if:

- the AssetCo suffers the same insolvency events as above;
- the AssetCo is in material breach of its material obligations that renders practically impossible, or affects, the performance of the services, or amounts to a repudiation by the AssetCo of the FM Contract; or
- the AssetCo fails to pay undisputed amounts due in excess of £10,000 (RPI indexed).

### *Compensation on Termination*

The AssetCo must pay the FM Contractor a fixed multiple of the core service payment applicable to the relevant academic year in full and final settlement of any claim as the FM Contractor's sole remedy in respect of termination if:

- the FM Contract is terminated by reason of an AssetCo default;
- the project agreement is terminated for reasons other than an FM Contractor default;
- the FM Contract is voluntarily terminated by the AssetCo.

### *AssetCo Management Services*

Each AssetCo has entered into a management services agreement with URSL under which URSL provides management, company secretarial, operational and accounting services to the AssetCo for the entire term of the Project. The AssetCo pays a fixed annual price (indexed by reference to RPI) for these services.

### **AssetCo Specific Summaries**

The summaries below set out in more detail the contractual arrangements in respect of each AssetCo and the relevant Partner University and the operating information for each AssetCo. The following definitions are used in these summaries only:

**"BEC"** means the budgeted employment costs for each Project;

**"CASP"** means the core annual service payment payable by each AssetCo to the FM Contractor on each Project;

**"Even Handed Basis"** means an obligation on the Partner University to market and allocate the accommodation which is the subject matter of the project agreement on the same basis as student accommodation owned, controlled or managed by the Partner University; and

**"Preferential"** means an obligation on the Partner University to market and/or the student accommodation managed by UPP in preference to all student accommodation owned, controlled or managed by the Partner University.

**UPP (Alcuin) Limited - University of York**

*Structure and Contract Terms*

<b>Lease Tenure</b>	Headleases:
	Expire 31 August 2051 other than the Halifax lease which expired 31 August 2057.
	Underleases/Project Agreement:  Each of the Underleases expired 3 days earlier than the corresponding headlease term.
<b>Marketing and Allocation</b>	Even Handed Basis
<b>Liability cap for FM costs</b>	200 per cent. of the aggregate of the CASP and BEC payable for the year in which the contract is terminated.
<b>Rent Setting</b>	Follows a Base rent approach as set out in the 'Project Framework' section.
<b>Restrictive Covenant</b>	There is a restrictive covenant based on geography and student to bed ratios.
<b>Termination Events of Default</b>	<p><b><u>AssetCo</u></b></p> <p>May terminate for material breach or insolvency.</p> <p>If a block is empty for 12 months, AssetCo can give notice to the Partner University who will then surrender this block and the AssetCo is free to let to any persons to generate income (except to recipients of social security or housing benefit).</p> <p><b><u>Partner University</u></b></p> <p>May terminate for material breach or insolvency.</p> <p><b><u>Force Majeure</u></b></p> <p>The parties' obligations under the relevant project documents are suspended for up to 18 months in a force majeure scenario. After 18 months, the parties can continue to remedy the effect of any force majeure event for a reasonable period, but thereafter either party can terminate the other (which takes effect 28 days after the end of the then current academic year).</p> <p><b><u>Procedure</u></b></p> <p>Either party may terminate any underlease on 6 months' notice for material breach, such notice to expire 28 days after the end of the then current academic year.</p> <p>If the breach is remediable, then the affected party serves a notice requiring the breach to be remedied. Failure to remedy the breach then requires the parties to attempt to resolve the matter through the dispute resolution procedure.</p> <p>Either party may terminate with immediate effect for insolvency.</p>
<b>Compensation on Termination</b>	No compensation payable on termination.
<b>Employees</b>	7

<b>Upside sharing</b>	<p>The Partner University and AssetCo share any rent that is received in excess of modelled rent net of higher than modelled costs.</p> <p>On sale of the lease of Alcuin College the Partner University will be entitled to a percentage of the net proceeds of sale to the extent that they exceed £10m.</p>
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**UPP (Broadgate Park) Holdings Limited - University of Nottingham**

*Structure and Contract Terms*

<b>Lease Tenure</b>	Headlease: expires 31 August 2048 after option is exercised.  The option is exercisable by AssetCo serving notice on the Partner University between 1 January 2018 and 1 August 2030.
	Underlease/Project Agreement: expires 28 August 2048 after option is exercised.  The option is exercisable by AssetCo serving notice on the Partner University between 1 January 2018 and 1 August 2030.
<b>Marketing and Allocation</b>	Even Handed Basis.
<b>Liability cap for FM costs</b>	175 per cent. of the aggregate of the CASP and BEC payable for the year in which the contract is terminated.
<b>Rent Setting</b>	Follows a Benchmarked rent approach as set out in the 'Project Framework' section.
<b>Restrictive Covenant</b>	There is a restrictive covenant based on geography and student to bed ratios.
<b>Termination Events of Default</b>	AssetCo  May terminate for: <ul style="list-style-type: none"> <li>• failure by the Partner University to pay an undisputed amount of at least £50,000;</li> <li>• breach by the Partner University that substantially frustrates AssetCo's performance of its obligations or to let rooms for 2 consecutive months; or</li> <li>• assignment by the Partner University without AssetCo's consent.</li> </ul>
	<b><u>Partner University</u></b>  May terminate for: <ul style="list-style-type: none"> <li>• AssetCo (or their holding company's) insolvency;</li> <li>• if the Partner University requires the termination of the facilities management contract twice in 3 years;</li> <li>• AssetCo failing to take out required insurance policies;</li> <li>• AssetCo paying corrupt gifts and commission;</li> <li>• AssetCo failing to pay the Partner University an undisputed amount of at least £50,000.</li> </ul>
	<b><u>Force Majeure</u></b>  The party affected by the force majeure event is entitled to relief from liability for breach if the event prevents hinders or delays it in performing its obligations in whole or in part. This includes relief from termination where this would otherwise result from its non-performance.

	<p>There is no compensation payable for Force Majeure termination.</p> <p><b><u>Procedure</u></b></p> <p>AssetCo must provide the Partner University with a statement of the termination compensation payable within 28 days of receipt of written notice from the Partner University.</p> <p>On Partner University default AssetCo can terminate the agreement with immediate effect on written notice.</p> <p>The lease will terminate on receipt of the compensation payable.</p>
<b>Compensation on Termination</b>	<p>Compensation is payable where the Partner University terminates both the Project Agreement and the lease as follows:</p> <ul style="list-style-type: none"> <li>• AssetCo Default: a percentage of the net present value of income less specific costs for the remainder of the project term.</li> <li>• Partner University default: all monies due under the AssetCo On-Loan agreement and associated hedging break costs which, for the avoidance of doubt, includes make whole sums due as well as a result of early payment of the On-Loan (i.e. including monies calculated in the formula set out in Condition 8(d) of the Terms and Conditions hereto).</li> </ul>
<b>Employees</b>	63
<b>Upside sharing</b>	There is an upside sharing mechanism based on rental received being at least 94 per cent. of modelled rent and updated for RPI and cost recovery.
<b>Lease Structure</b>	In this Project, the headlease was granted by the Partner University to UPP (Broadgate Park) Holdings Limited, which in turn has granted an underlease to UPP Broadgate Park Limited and undertakes operational functions under the Project Documents.

**UPP (Kent Student Accommodation) Limited - University of Kent**

*Structure and Contract Terms*

<b>Lease Tenure</b>	Headlease: expires 31 October 2062 with the option to extend the term for 5 years on a refinancing. The option is subject to agreement of a price for the lease extension.
	Underlease/Project Agreement: expires on 27 October 2058 with the option to extend the term for 5 years on a refinancing. The option is subject to agreement of a price for the lease extension.
<b>Marketing and Allocation</b>	<ul style="list-style-type: none"> <li>• to prospective and continuing post-graduate: Preferential</li> <li>• to returning students: Even Handed Basis.</li> </ul>
<b>Liability cap for FM costs</b>	200 per cent. of the aggregate of the CASP and BEC payable for the year in which the contract is terminated.
<b>Rent Setting</b>	Follows a Base rent approach as set out in the 'Project Framework' section.
<b>Restrictive Covenant</b>	There is a restrictive covenant based on geography and student to bed ratios.
<b>Termination Events of Default</b>	<p><b><u>AssetCo</u></b></p> <p>May terminate for material breach or insolvency.</p>
	<p><b><u>Partner University</u></b></p> <p>May terminate for material breach or insolvency.</p>
	<p><b><u>Force Majeure</u></b></p> <p>The party affected by a force majeure event is relieved from liability for breach and is afforded an extension of time to perform their obligations.</p> <p>The parties' obligations under the relevant project documents are suspended for up to 18 months if the force majeure scenario materially affects a party's liability to comply with its obligations. After 18 months, the parties can continue to remedy the effect of any force majeure event for a reasonable period, but thereafter either party can terminate the other (which takes effect 28 days after the end of the then current academic year).</p>
	<p><b><u>Procedure</u></b></p> <p>Either party may terminate any underlease on 6 months' notice for material breach, such notice to expire 28 days after the end of the then current academic year).</p> <p>If the breach is remediable, then the breaching party is afforded a reasonable amount of time to remedy the breach.</p> <p>Either party may terminate with immediate effect for insolvency.</p>
<b>Compensation on Termination</b>	No compensation payable on termination
<b>Employees</b>	10
<b>Upside sharing</b>	Not applicable

**UPP (Nottingham) Limited - Nottingham Trent University**

*Structure and Contract Terms*

<b>Lease Tenure</b>	Headlease(s):  Expire 1 September 2048 after option is exercised. The option is exercisable by AssetCo serving notice on the Partner University between 2 September 2014 and 23 July 2029.
	Underlease(s)/Project Agreement:  Expire 3 days prior to expiry of the corresponding Headlease.
<b>Marketing and Allocation</b>	Preferential
<b>Liability cap for FM costs</b>	175 per cent. of the aggregate of the CASP and BEC payable for the year in which the contract is terminated.
<b>Rent Setting</b>	Follows a Benchmarked rent approach as set out in the 'Project Framework' section.
<b>Restrictive Covenant</b>	There is a restrictive covenant based on geography.
<b>Termination Events of Default</b>	<b><u>AssetCo</u></b>  May terminate if the Partner University fails to pay an undisputed amount, is in breach, terminates the leases not in accordance with their terms.
	<b><u>Partner University</u></b>  May terminate for insolvency of the AssetCo, if the AssetCo ceases to carry on its business, if the AssetCo fails to pay an undisputed amount, or if the AssetCo becomes controlled (at least 51% equity share) by any person or entity whose business is substantially gaming, gambling, alcohol, tobacco, or the illegal trade of controlled drugs.
	<b><u>Force Majeure</u></b>  A party is not in breach or liable for any damage as a result of a force majeure event (but it must notify the other party) after 6 months of the suspension of their obligations during a force majeure event, the party unable to perform may terminate on 10 working days' notice.  There is no compensation regime for Force Majeure termination.
	<b><u>Procedure</u></b>  Either party may terminate for the other's default as set out above on 60 days' written notice.  If the breach is remediable, then the AssetCo is afforded 40 working days to remedy the breach (or come up with a remedial plan) and the Partner University is afforded a reasonable amount of time to remedy the breach.
<b>Compensation on Termination</b>	Compensation is payable as follows:  <ul style="list-style-type: none"> <li>• AssetCo Default: the higher of (a) a percentage of the net present value of income less specific costs for the remainder of the project term; and (b) all monies due under the AssetCo on-loan agreement.</li> <li>• Partner University default: all monies due under the AssetCo on-loan</li> </ul>



	agreement and associated hedging break costs which, for the avoidance of doubt, includes make whole sums due as a result of early payment of the On-Loan (i.e. including monies calculated in the formula set out in Condition 8(d) of the Terms and Conditions hereto).
<b>Employees</b>	108
<b>Upside sharing</b>	The Partner University and AssetCo share any rent that is received in excess of modelled rent.
<b>AssetCo Specific Feature</b>	There is a collaboration agreement in place between AssetCo, UPP (Byron House) Limited and UPP (Clifton) Limited (together the "NTU SPVs"). The NTU SPVs are required to collaborate if occupancy levels fall below a certain level across all the UPP projects at Nottingham Trent University.

**UPP (Oxford Brookes) Limited - Oxford Brookes University**

*Structure and Contract Terms*

<b>Lease Tenure</b>	Headlease expires at the end of the academic year 2050.
	Underlease/Project Agreement:  Project Agreement expires at the same time as the Headlease.  Underlease expires 3 days prior to the expiry of the Headlease.
<b>Marketing and Allocation</b>	Even Handed Basis.
<b>Liability cap for FM costs</b>	175 per cent. of the aggregate of the CASP and BEC payable for the year in which the contract is terminated.
<b>Rent Setting</b>	Follows a Controlled rent approach as set out in the 'Project Framework' section.
<b>Restrictive Covenant</b>	There is a restrictive covenant based on whether the Partner University Nominates the rooms.
<b>Termination Events of Default</b>	<p><b><u>AssetCo</u></b></p> <p>May terminate:</p> <ul style="list-style-type: none"> <li>• for a Partner University failure to pay an undisputed amount;</li> <li>• for a breach that substantially frustrates the AssetCo's ability to perform obligations or let rooms for 2 consecutive months;</li> <li>• for a breach that materially and adversely affects AssetCo's ability to let rooms and the Partner University's obligations as licensor of the rooms (which would be cause for termination at common law);</li> <li>• for sequestration, expropriation or requisitioning of a material part of the buildings.</li> </ul>
	<p><b><u>Partner University</u></b></p> <p>May terminate:</p> <ul style="list-style-type: none"> <li>• at will by giving the AssetCo a year's notice;</li> <li>• for AssetCo insolvency;</li> <li>• where more than 100 reserved or Nominated rooms have been let by the AssetCo in breach of the contract;</li> <li>• where 75 per cent. or more rooms are not available for 12 consecutive months;</li> <li>• where there has been an FM performance score of less than 60 for 12 consecutive months;</li> <li>• for an AssetCo failure to provide the Partner University with any reserved rooms;</li> <li>• for an AssetCo failure to pay an undisputed amount;</li> </ul>

	<ul style="list-style-type: none"> <li>for breach by AssetCo that materially or adversely affects the rights of the Partner University.</li> </ul> <p><b><u>Force Majeure</u></b></p> <p>The party affected by the force majeure event is entitled to relief from liability for breach if the event prevents hinders or delays it in performing its obligations in whole or in part.</p> <p>If either party is unable to perform their obligations for more than 6 months, it can terminate the project on 10 working days' notice. The AssetCo does not have to wait for this 6 months period if the force majeure event is a change in law and the parties have not been able to agree a variation to the AssetCo's obligations.</p> <p><b><u>Procedure</u></b></p> <p>Either party may terminate the other's default on 5 working days' written notice.</p> <p>Regarding termination for material breach:</p> <ul style="list-style-type: none"> <li>AssetCo are given 40 working days to either remedy the breach or come up with a remedial plan to remedy the breach; and</li> <li>the Partner University are given a reasonable period to remedy the breach.</li> </ul>
<b>Compensation on Termination</b>	<p>Compensation is payable as follows:</p> <ul style="list-style-type: none"> <li>AssetCo Default: a percentage of the net present value of income less specific costs for the remainder of the project term which is capped at outstanding senior debt</li> <li>Partner University default/voluntary termination: the higher of (a) a percentage of the net present value of income less specific costs for the remainder of the project term; and (b) all monies due under the AssetCo on-loan agreement and associated hedging break costs which, for the avoidance of doubt, includes make whole sums due as a result of early payment of the On-Loan (i.e. including monies calculated in the formula set out in Condition 8(d) of the Terms and Conditions hereto).</li> <li>Force Majeure Compensation: all monies due under the AssetCo on-loan agreement.</li> </ul>
<b>Number of Employees</b>	15
<b>Upside sharing</b>	Not applicable

**UPP (Plymouth Three) Limited – Plymouth University**

*Structure and Contract Terms*

<b>Lease Tenure</b>	<p>Headleases:</p> <p>Expire 31 August 2058 other than the Lease of Pilgrim Hall which expires 31 August 2099. The expiry date for the headlease of Robbins Hall and Gilwell Hall is subject to an option which is exercisable by AssetCo serving notice on the Partner University between 3 September 2018 and 13 December 2027.</p>
	<p>Underleases/Project Agreement:</p> <p>Expire 31 August 2058 other than the Lease of Pilgrim Hall which expires 31 August 2099. The expiry date for the Robbins Hall and Gilwell Hall is subject to an option which is exercisable by AssetCo serving notice on the Partner University between 3 September 2018 and 13 December 2027.</p>
<b>Marketing and Allocation</b>	<p>Radnor Hall and Pilgrim Hall: Even Handed Basis</p> <p>For Robbins Hall, Gilwell Hall, Mary Newman and James Square: Preferential</p>
<b>Liability cap for FM costs</b>	<p>200 per cent. of the aggregate of the CASP payable for the year in which the contract is terminated.</p>
<b>Rent Setting</b>	<p>Follows a Market rent approach as set out in the 'Project Framework' section.</p>
<b>Restrictive Covenant</b>	<p>There is a restrictive covenant based on geography and student to bed ratios.</p>
<b>Termination Events of Default</b>	<p><b><u>AssetCo</u></b></p> <p>May terminate for material breach or insolvency.</p> <p>If a block in Pilgrim Hall is empty for 12 months, AssetCo can give notice to the Partner University who will then opt (within 30 days) whether to use the accommodation for alternative use (subject to the AssetCo's consent based on whether such alternative use would be sufficient income to repay the outstanding funding costs). Such alternative use must not be the persons who would not be considered prime tenants. If the Partner University do not exercise this option, the block in question is then surrendered and the AssetCo is free to let to any persons to generate income.</p>
	<p><b><u>Partner University</u></b></p> <p>May terminate for material breach or insolvency.</p>
	<p><b><u>Force Majeure</u></b></p> <p>The parties' obligations under the relevant project documents are suspended for up to 18 months in a force majeure scenario. After 18 months, the parties can continue to remedy the effect of any force majeure event for a reasonable period, but thereafter either party can terminate the other (which takes effect 28 days after the end of the then current academic year).</p>

	<p><b><u>Procedure</u></b></p> <p>Either party may terminate any underlease on 6 months' notice for material breach, such notice to expire 28 days after the end of the then current academic year).</p> <p>If the breach is remediable, then the breaching party is afforded an amount of time to remedy the breach.</p> <p>Either party may terminate with immediate effect for insolvency.</p>
<b>Compensation on Termination</b>	No compensation payable on termination
<b>Employees</b>	41
<b>Upside sharing</b>	None.

## DESCRIPTION OF THE ISSUER TRANSACTION DOCUMENTS

*The following is a summary of certain provisions of the documents relating to the Issuer Transaction Documents and is qualified in its entirety by reference to the detailed provisions of the relevant documents.*

### Issuer Deed of Charge

The Issuer will, on or before the Initial Issue Date, enter into the Issuer Deed of Charge with, among others, the Issuer Security Trustee (for itself and as trustee for the other Issuer Secured Creditors). Pursuant to the Issuer Deed of Charge, the Issuer will secure its obligations in respect of Issuer Obligor Secured Liabilities by granting in favour of the Issuer Security Trustee, for itself and as trustee for the other Issuer Secured Creditors, the following security:

- (a) an assignment by way of first fixed security of the Benefit of the Issuer under the Transaction Documents (other than the Trust Documents) to which it is a party;
- (b) an assignment by way of security of the Benefit of the Issuer under the AssetCo Security (including, without limitation, all such right, title, interest under the AssetCo Security Documents) surrogating and substituting the Issuer Security Trustee in its full right and place therein and thereto;
- (c) a first fixed charge of the Benefit of the Issuer Accounts (pursuant to or in accordance with any Transaction Document including any sub-account or sub-accounts relating to that account and any replacement account from time to time) and any bank or other accounts in which the Issuer may at any time have or acquire any Benefit; and
- (d) a first fixed charge of the Benefit of each Authorised Investment of the Issuer.

In addition, as continuing security for the payment or discharge of the Issuer Obligor Secured Liabilities, the Issuer, will also grant in favour of the Issuer Security Trustee, for itself and as trustee for the other Issuer Secured Creditors, a first floating charge, over the whole of the Issuer's undertaking, assets, property and rights whatsoever and wheresoever situated, present and future, including the Issuer's uncalled capital (including assets expected to be subject to a fixed charge or assignment by way of security as described above).

The Issuer Obligor Charged Property will be held on trust by the Issuer Security Trustee for itself and on behalf of the Issuer Secured Creditors in accordance with, and subject to, the Issuer Deed of Charge.

### *Issuer Priority of Payments*

Prior to the delivery of an Issuer Enforcement Notice, amounts standing to the credit of the Repayment Account, will be applied by ParentCo or the Cash Administrator (as applicable) (on behalf of the Issuer) and following the delivery of an Issuer Enforcement Notice, amounts standing to the credit of the Issuer Accounts will be applied by the Issuer Security Trustee or the Cash Administrator on behalf of the Issuer Security Trustee or any Administrative Receiver (as applicable) in each case in accordance with the priority of payments set out below.

On each Interest Payment Date and each Swap Payment Date or, following delivery of an Issuer Enforcement Notice on any date on which amounts (including the proceeds of any enforcement of Issuer Obligor Security) have been received or are available for making such a payment, in making payment of or provision for any amounts then due and payable (**provided that** payments may be made out of the Repayment Account other than on an Interest Payment Date to satisfy the liabilities in paragraphs (a), (b) and (c) below) in each case only to the extent that preceding items have been paid in full and the relevant payment does not cause the Repayment Account to become overdrawn and without double counting any amount paid under the Operating Account Priority of Payments):

- (a) *first*, in or towards satisfaction, *pro rata* and *pari passu* of the amounts due in respect of the fees and other remuneration, indemnity payments (if any), costs, charges, liabilities and expenses payable to the Issuer Security Trustee, the Issuer Note Trustee, any Receiver or any Appointee of any such party and any costs, charges, liabilities and expenses incurred by the Issuer Security Trustee, the Issuer Note Trustee, any Receiver of any such party or any Appointee appointed

under the Trust Documents and any other amounts payable to the Issuer Security Trustee, the Issuer Note Trustee, any Receiver or any Appointee of any such party under the Trust Documents;

- (b) *second*, in or towards satisfaction, *pro rata* and *pari passu* of the amounts payable by the Issuer in respect of any amounts due and owing by the Issuer in respect of:
- (i) the fees, other remuneration, indemnity payments, costs, charges, liabilities and expenses of ParentCo if acting as cash administrator (in amounts agreed by the Issuer);
  - (ii) the fees, other remuneration, indemnity payments, costs, charges, liabilities and expenses of the Paying Agents, Agent Bank, Registrar and Transfer Agent incurred under the Agency Agreement and any Calculation Agent under the Calculation Agency Agreement;
  - (iii) the fees, other remuneration, indemnity payments, costs, charges, liabilities and expenses of the Account Bank incurred under the Account Bank Agreement;
  - (iv) the fees, other remuneration, indemnity payments, costs, charges, liabilities and expenses of the Cash Administrator incurred under the Cash Administration Agreement;
  - (v) the fees, other remuneration, indemnity payments, costs, charges, liabilities and expenses of the Monitoring Adviser incurred under the Monitoring Services Agreement;
  - (vi) the fees, other remuneration, indemnity payments, costs, charges, liabilities and expenses of the Issuer Management Services Provider incurred under the Issuer Management Services Agreement; and
  - (vii) the fees, other remuneration, indemnity payments, costs, charges, liabilities and expenses of the Issuer Corporate Officer Provider under the Issuer Corporate Officer Agreement;
- (c) *third*, subject to paragraph (h) below, in or towards satisfaction, *pro rata* and *pari passu*, of:
- (i) ongoing corporate expenses (including administrative expenses, auditors fees and Rating Agency fees, corporate and other Taxes (save for the UK corporation tax to be funded pursuant to paragraph (c)(iii) below) of the Issuer Obligors;
  - (ii) payment of amounts due and payable to third party creditors of the Issuer, or to become due and payable to third party creditors (if any) of the Issuer prior to the next Interest Payment Date, of which ParentCo or the Cash Administrator (as applicable) has notice prior to the relevant Interest Payment Date, which amounts have been incurred without breach by the Issuer of the Issuer Transaction Documents (and for which payment has not been provided for elsewhere);
  - (iii) payment of the Issuer Profit Amount into the Issuer Profit Account, and utilised by the Issuer to pay United Kingdom corporation tax to HMRC or any other Tax Authority for which the Issuer is primarily liable in respect of the Issuer Profit Amount and thereafter to credit amounts due to the Distribution Account;
- (d) *fourth*, *pro rata* and *pari passu* according to the respective amounts (other than in respect of Hedging Subordinated Amounts) payable to each Hedge Counterparty under its Super Senior Issuer Hedging Agreement;
- (e) *fifth*, *pro rata* and *pari passu*:
- (i) all scheduled amounts (other than any termination amounts, unscheduled amounts or final or scheduled exchange payments on cross-currency swaps or any Hedging Subordinated Amounts) payable to each Hedge Counterparty under any *Pari Passu* Hedging Transaction; and
  - (ii) all amounts of interest (or equivalent payments) due in respect of the Securities or, in the circumstances contemplated by paragraph (f)(ii) below if applicable, all amounts of interest (or equivalent payments) due in respect of early redemption of the Corresponding Securities to which the Allocated On-Loan Amount relates;

- (f) *sixth, pro rata and pari passu:*
  - (i) according to the respective amounts thereof, in or towards satisfaction of any termination payments or other unscheduled payments or final or scheduled exchange payments on cross-currency swaps (other than in respect of Hedging Subordinated Amounts) payable to a Hedge Counterparty under any Pari Passu Hedging Transaction; and
  - (ii) all amounts of principal due (or other amounts payable on redemption of the Securities) or overdue in respect of the Securities and any other amounts payable in connection with redemption of the Securities or other costs due in respect of redemption of the Securities **provided that** amounts representing a principal prepayment by an AssetCo under its On-Loan Agreement (together with accrued interest and other amounts due in respect of such prepayment) shall be applied only in the early redemption of the Corresponding Securities (in whole or in part) in an amount equal to the Allocated On-Loan Amount that has been prepaid;
- (g) *seventh, pro rata* according to the respective amounts thereof, in or towards any Hedging Subordinated Amounts payable to a Hedge Counterparty under any Hedge Agreement;
- (h) *eighth*, following delivery of an Issuer Enforcement Notice the amounts otherwise specified as payable under paragraph (c)(i) (other than UK corporation tax at the standard rate from time to time on the Issuer Profit Amount) and paragraph (c)(ii); and
- (i) *ninth*, on each Interest Payment Date only to the Issuer (and including after retaining any amount which the Issuer may, after meeting any corporation tax thereon (excluding the payment of corporation tax paid above), to pay a dividend or otherwise to pay to such account or person nominated by the Issuer) and with any remaining amount being paid by way of rebate of Ongoing Facility Fees to the AssetCos under the terms of the On-Loan Agreements.

Notwithstanding the above (i) any Swap Collateral shall only be applied in accordance with the final paragraph of the section entitled "*Description of Issuer Transaction Documents – Common Terms Agreement - Operating Account Priority of Payments*" hereto (ii) any amount of collateral provided by the Issuer pursuant to the terms of its Hedge Agreements and as permitted by the Hedging Policy, shall only be applied in payment to the relevant Hedge Counterparties in whose favour such collateral has been provided.

#### ***Issuer Secured Creditor Voting Arrangements***

##### ***(a) Representatives***

The following persons shall act as a Secured Creditor Representative in respect of Issuer Secured Creditor Voting Arrangements: (i) the Issuer Note Trustee and any successor Issuer Note Trustee in respect of itself and the holders of the Notes; (ii) in respect of the Issuer Hedge Agreements, each Hedge Counterparty thereunder, (iii) in respect of the Account Bank Agreement, the Account Bank, (iv) in respect of any Private Placement Noteholder that accedes as an Additional Issuer Secured Creditor, such Private Placement Noteholder, (v) in respect of the Issuer Security Trustee for itself, the Issuer Security Trustee; and (vi) for each other Issuer Secured Creditor, the relevant Issuer Secured Creditor.

##### ***(b) Voting***

###### *Qualifying Issuer Senior Debt*

Participating Qualifying Issuer Secured Creditors will cast their votes (through their Secured Creditor Representative(s)) in accordance with "*Tranching of Qualifying Issuer Senior Debt and Determination of Voting Qualifying Debt*" below. Each category of Qualifying Issuer Secured Creditors will be allocated a number of votes which is proportionate to the Qualifying Issuer Senior Debt owed to them.

###### *Debt held by the Connected Creditors*

Any Securities acquired by or on behalf of an Obligor or any of its direct or indirect shareholders or Affiliates (a "**Connected Creditor**") shall, unless and until ceasing to be so held, be ignored for the purposes of calculating the principal amount outstanding under the definition of Qualifying Issuer Senior



Debt and such Connected Creditor shall not have any rights to instruct the Issuer Security Trustee (and, if applicable, to the Issuer Security Trustee to direct the AssetCo Security Trustee), the Issuer or the Issuer Note Trustee in relation to any matter on which a vote or instruction is required.

#### *Tranching of Qualifying Issuer Senior Debt and Determination of Voting Qualifying Debt*

##### *Tranching of the Issuer's Vote*

The Qualifying Issuer Senior Debt owed to or deemed to be owed to the Issuer will be divided into separate voting tranches comprising:

- (a) a tranche for the holders of Notes up to the aggregate Principal Amount Outstanding of the Notes;
- (b) a tranche for the holders of Private Placement Notes up to the aggregate Principal Amount Outstanding of the Private Placement Notes; and
- (c) only (i) in relation to any vote by the Qualifying Issuer Secured Creditors on whether to take Enforcement Action and (ii) following the taking of Enforcement Action (**provided that**, for the avoidance of doubt, Entrenched Rights will apply at all times), a tranche for each Pari Passu Hedge Counterparty equal to (A) in relation to any Hedging Transaction arising under a Pari Passu Issuer Hedge Agreement in respect of which an Early Termination Date (as defined in the relevant Pari Passu Issuer Hedge Agreement) has been designated, the amount (if any) outstanding to the relevant Pari Passu Hedge Counterparty following such termination as calculated in accordance with the terms of the Pari Passu Issuer Hedge Agreement, and/or (B) otherwise, the mark-to-market value of all transactions arising under a Pari Passu Issuer Hedge Agreement to which it is a party to the extent that such value represents an amount which would be payable to the relevant Pari Passu Hedge Counterparty if an Early Termination Date (as defined in the relevant Pari Passu Issuer Hedge Agreement) was designated (assuming the relevant Pari Passu Hedge Counterparty is the Non-Defaulting Party and not an Affected Party (each such term as defined in the relevant Pari Passu Issuer Hedge Agreement)) at the latest practicable time for the calculation thereof prior to the deadline for submitting its votes in respect of a particular matter (which shall be by 3pm on the Business Day prior to the last Business Day of the relevant Decision Period).

##### *Voting by Holders of Securities*

Voting in respect of each tranche of Securities will be made by holders of such Securities in accordance with the voting procedures set out in the Note Trust Deed (or equivalent provisions in respect of any Private Placement Notes). For the purposes of any fraction used to determine the relevant Quorum Requirement, in respect of the Securities of each Tranche the numerator will include only the Principal Amount Outstanding of the Securities then owed to holders of such Securities that vote on a proposed resolution within the Decision Period, and the denominator will include the entire Principal Amount Outstanding of such Securities provided that the minimum Quorum Requirement for an Ordinary Voting Matter and minimum Quorum Requirement for an Extraordinary Voting Matter is satisfied. Votes in respect of the relevant Series will be divided between votes cast in favour and votes cast against, on a pound for pound basis in respect of the Principal Amount Outstanding of Securities then owed to holders of Securities of the relevant Tranche that vote on a proposed resolution within the Decision Period.

##### *Voting in respect of Pari Passu Hedging Transactions by Pari Passu Hedge Counterparties*

Voting in respect of the Pari Passu Hedging Transactions will be made by each Pari Passu Hedge Counterparty in accordance with paragraph (c) of "*Tranching of the Issuer's Vote*" above. Only such mark-to-market value described above will be counted towards the Quorum Requirement. In respect of each Pari Passu Hedge Counterparty, a single vote by reference to the aggregate of the mark-to-market value of all such Pari Passu Hedging Transactions arising under the Issuer Hedge Agreements of such Pari Passu Hedge Counterparty will be counted for or against the applicable Proposal Request, Enforcement Instruction Notice, SC Instruction Notice or Direction Notice.

In order to determine whether the requisite majority for any proposal or resolution has been satisfied, the Issuer Security Trustee will aggregate all votes for and against the relevant proposal or resolution on the basis specified above.

(c) ***Modifications, Consents and Waivers***

*Proposal Requests*

The Issuer Secured Creditor Voting Arrangements set out in the Issuer Deed of Charge are subject to modification in the manner set out in the Monitoring Services Agreement (see the section entitled "*Issuer Transaction Documents — Monitoring Services Agreement – AssetCo Monitored Activity Decision Procedures*" for further details) and each Issuer Secured Creditor and Obligor will agree to be bound by such provisions with respect to the exercise of any Financing Right by the Issuer constituting an AssetCo Monitored Activity.

The Group Agent shall be entitled to request the Issuer Security Trustee to concur in making any modification, giving any consent or granting any waiver under or in respect of any Common Document. Any such request shall constitute a "**Proposal Request**" and references to a Proposal Request in the Issuer Deed of Charge shall, where the context so requires, be deemed to be a reference to an MA Proposal Request as defined in the Monitoring Services Agreement.

*Minimum requirements of a Proposal Request*

A Proposal Request shall be by way of notice in writing to the Issuer Security Trustee signed by any director on behalf of the Group Agent, and, inter alia:

- (a) certify whether such Proposal Request is in respect of a Discretion Matter, an Ordinary Voting Matter, or an Extraordinary Voting Matter; and/or
- (b) gives rise to an Entrenched Right;
- (c) propose the form of resolution(s), if applicable to be put to the applicable Issuer Secured Creditors (acting through their Secured Creditor Representatives);
- (d) specify the period of time within which the approval of the Issuer Security Trustee is sought (the "**Decision Period**") which, subject to the provisions of "*Commencement of Decision Period*" below, shall not be fewer than 15 Business Days from the date of delivery of the Proposal Request for any Discretion Matter, Ordinary Voting Matter or Extraordinary Voting Matter, unless the Proposal Request gives rise to an Entrenched Right in which case the Decision Period shall not be fewer than 45 days **provided that**, for Ordinary Voting Matters and Extraordinary Voting Matters, the Decision Period may be extended for a further period in accordance with "*Quorum Requirement for an Ordinary Voting Matter*" below or "*Quorum Requirement for an Extraordinary Voting Matter*", respectively, if the Quorum Requirement for the relevant Ordinary Voting Matter or Extraordinary Voting Matter (as the case may be) has not been met within the initial Decision Period; and
- (e) provide such supporting information as in the Group Agent's reasonable opinion is necessary for the recipient of such Proposal Request to make an informed assessment of the matters addressed in the Proposal Request and any further information requested by the Issuer Security Trustee.

If in relation to a Discretion Matter, a Proposal Request shall be accompanied by a certificate signed by any director of the Group Agent, setting out the basis for which the Group Agent believes the Issuer Security Trustee would be entitled to concur in (i) making the proposed modification; (ii) giving the proposed consent; or (iii) granting the proposed waiver, and shall attach all such evidence in support of such belief that the Group Agent considers to be reasonably necessary and if paragraph (b) applies to such Proposal Request, such Proposal Request shall specify the Issuer Secured Creditors in whose favour (in the reasonable opinion of the Group Agent) the Proposal Request gives rise to an Entrenched Right or who are affected by such Entrenched Right.

The Group Agent shall deliver a copy of the Proposal Request to the Secured Creditor Representative of each Issuer Secured Creditor and the Secured Creditor Representatives of the Issuer on behalf of the Issuer Secured Creditors and may also post the Proposal Request to the Investor Website.

*Determination of voting category and entrenched rights*

The determination of the voting category made by the Group Agent in a Proposal Request shall be binding on the Issuer Secured Creditors and the Issuer unless the Issuer Security Trustee on the instruction of Qualifying Issuer Secured Creditors (acting through their respective Secured Creditor Representatives) who represent at least 10 per cent. of the Outstanding Principal Amount of the Qualifying Issuer Senior Debt (the "**Determination Dissenting Creditors**") informs the Group Agent in writing within 7 Business Days of receipt of the relevant Proposal Request that the Determination Dissenting Creditors disagree with such determination (the "**Determination Dissenting Notice**").

The determination made by the Group Agent of whether a Proposal Request gives rise to an Entrenched Right in respect of an Issuer Secured Creditor shall be binding on the Issuer Secured Creditors unless the Issuer Security Trustee on the instruction of an Issuer Secured Creditor (acting through its Secured Creditor Representative (each, an "**Entrenched Right Dissenting Creditor**") informs the Group Agent in writing within 7 Business Days of receipt the relevant Proposal Request that an Entrenched Right Dissenting Creditor disagrees with such determination (the "**Entrenched Right Dissenting Notice**").

The Determination Dissenting Creditors or the Entrenched Right Dissenting Creditors, as the case may be, and the Group Agent shall agree the voting category and/or the Decision Period or whether the Proposal Request gives rise to an Entrenched Right in respect of an Issuer Secured Creditor within 5 Business Days from receipt of the Determination Dissenting Notice or the Entrenched Right Dissenting Notice, as applicable. If the Determination Dissenting Creditors or the Entrenched Right Dissenting Creditors and the Group Agent are not able to reach agreement within 5 Business Days of the receipt by the Group Agent of the Determination Dissenting Notice or the Entrenched Right Dissenting Notice, as applicable, they must instruct independent adjudicators (at the cost of the Issuer Obligors) agreed between themselves or, if no agreement can be reached, then an expert chosen by the President for the time being of the Law Society of England and Wales (at the cost of the Issuer Obligors) (the "**Independent Adjudicator**").

The decision of the Independent Adjudicator will be final and binding on each of the parties.

*Deemed Agreement and Commencement of Decision Period*

If the Issuer Security Trustee is not instructed to serve the Determination Dissenting Notice or the Entrenched Right Dissenting Notice within 7 Business Days of receipt of the relevant Proposal Request, the Issuer Security Trustee and the Qualifying Issuer Secured Creditors shall be deemed to have consented to the voting category and decision period proposed in the form of the Proposal Request.

Unless the Qualifying Issuer Secured Creditors are deemed to have agreed to the form of the Proposal Request pursuant to "*Deemed Agreement*" above (in which case the Decision Period shall commence from the expiry of 7 Business Days from the receipt of the relevant Proposal Request), the Decision Period for approval of the resolution(s) set out in the Proposal Request shall commence from the date on which the Determination Dissenting Creditors or the Entrenched Right Dissenting Creditors, as the case may be, and the Group Agent reach agreement or, as applicable, from the date of the Independent Adjudicator determination.

*ISC Voting Request*

The Issuer Security Trustee shall following receipt of a Proposal Request, promptly but no later than 5 Business Days thereafter send a request (such request, a "**ISC Voting Request**") in respect of any Ordinary Voting Matter or Extraordinary Voting Matter to each Issuer Secured Creditor (through its Secured Creditor Representative) and to each Secured Creditor Representative of the Issuer on behalf of the Issuer Secured Creditors, which shall, inter alia:

- (a) set out the exchange rate;
- (b) request the following from each Qualifying Issuer Secured Creditor:
  - (i) a vote in writing for or against implementation of that Proposal Request; and
  - (ii) a certificate stating that it is entitled to vote on the Proposal Request and stating the Outstanding Principal Amount of its Voted Qualifying Debt;

- (c) if the Proposal Request gives rise to an Entrenched Right, request each relevant Affected Issuer Secured Creditor (including where the Issuer is an Affected Issuer Secured Creditor, each Issuer Secured Creditor whose Entrenched Right is affected as construed in accordance with "*Meaning of Affected*" below (through its Secured Creditor Representative(s)) to confirm whether or not it wishes to consent to the relevant Proposal Request that gives rise to the Entrenched Right; and
- (d) notify each recipient of the ISC Voting Request that the determination of the Group Agent on the voting category and/or Entrenched Right shall be binding on them unless a Determination Dissenting Notice or Entrenched Right Dissenting Notice is delivered in accordance with "*Determination of voting category and entrenched rights*" above.

#### *Modifications, Consents and Waivers*

##### *General discretion to modify, consent or waive in respect of Discretion Matters*

The Issuer Security Trustee may subject to "*Limitations on general discretion*" below, in its sole discretion concur with the Group Agent and any other relevant party in making any modification to, giving any consent under, or granting any waiver in respect of any breach or proposed breach of any Common Document to which the Issuer Security Trustee is a party or over which it has the benefit of the Issuer Obligor Security under the Issuer Obligor Security Documents in respect of any Discretion Matter if (i) in its opinion, it is required to correct a manifest error or it is of a formal, minor or technical nature, or (ii) such modification, consent or waiver is not, in the opinion of the Issuer Security Trustee, materially prejudicial (where "**materially prejudicial**" means that such modification, consent or waiver would have a material adverse effect on the ability of the Group to perform its payment obligations to the Issuer Secured Creditors under the Transaction Documents) to the interests of any of the Issuer Secured Creditors.

##### *Limitations on general discretion*

No Issuer Obligor nor the Issuer Security Trustee shall make or concur in making any modification to, give any consent under, or grant any waiver in respect of any breach or proposed breach of, any Common Document to which it is a party if such modification, consent or waiver is (i) an Ordinary Voting Matter, (ii) an Extraordinary Voting Matter, (iii) is subject to an Entrenched Right, or (iv) is subject to an ongoing disagreement with regard to the determination of the voting category or the application of Entrenched Rights pursuant to "*Determination of Voting Category*" above.

##### *Binding Force and Authority to sign*

Any modification agreed, waiver granted or consent given by the Issuer Security Trustee in accordance with the provisions of the Issuer Deed of Charge shall be binding on all parties to the Issuer Deed of Charge and each of them shall be bound to give effect to it.

The Issuer Security Trustee is authorised under the Issuer Deed of Charge, *inter alia*, to (i) execute and deliver on its behalf all documentation required to implement any modification or the terms of any waiver or consent granted by the Issuer Security Trustee in respect of any Common Document and this Deed and such execution and delivery by the Issuer Security Trustee shall bind each party to the Issuer Deed of Charge (other than the Issuer Security Trustee or a member of the Group), (ii) receive and count the votes from each Participating Qualifying Issuer Secured Creditor in respect of an Ordinary Resolution and, if sufficient, implement the relevant Proposal Request, (iii) receive and count the votes from each Participating Qualifying Issuer Secured Creditor in respect of an Extraordinary ISC Resolution and, if sufficient, implement the relevant Proposal Request, and (iv) give the relevant notices in relation to such Ordinary Resolution or Extraordinary ISC Resolution.

##### *Ordinary Voting Matters*

##### *Quorum Requirement for an Ordinary Voting Matter*

The Quorum Requirement in respect of an Ordinary Voting Matter shall initially be one or more Participating Qualifying Issuer Secured Creditors who represent in aggregate at least 20 per cent. of the entire Outstanding Principal Amount of all Qualifying Issuer Senior Debt **provided that** if the Quorum Requirement has not been met within the Decision Period, the Quorum Requirement shall be reduced to one or more Participating Qualifying Issuer Secured Creditors who represent, in aggregate, 10 per cent. of

the aggregate Outstanding Principal Amount of all Qualifying Issuer Senior Debt and the Decision Period shall be extended for a period of a further 10 days from the expiry of the initial Decision Period.

*Requisite majority in respect of an Ordinary Voting Matter*

If the Quorum Requirement for an Ordinary Voting Matter is satisfied, an Ordinary Resolution may be passed by a simple majority of the Voted Qualifying Debt.

The relevant Qualifying Issuer Secured Creditors who did not cast their votes within the Decision Period shall be considered to have waived their entitlement to vote and will not be counted in the numerator of any fraction used to determine whether the Quorum Requirement is satisfied, or in either the numerator or the denominator of any fraction used for the purposes of calculating the majority required to approve the relevant Proposal Request.

*Consent required if Entrenched Rights*

Notwithstanding the passing of the Ordinary Resolution, no Proposal Request in respect of any Ordinary Voting Matter will be implemented if such Proposal Request gives rise to an Entrenched Right and the relevant Affected Issuer Secured Creditor(s) including, where the Issuer is an Affected Issuer Secured Creditor, each Issuer Secured Creditor which is affected by such Entrenched Right (or, as applicable its or their Secured Creditor Representative or Secured Creditor Representatives) have not consented to such Proposal Request in respect of its or their Entrenched Right, or such consent is not required due to the lapse of a relevant time period.

*Extraordinary Voting Matters*

*Quorum Requirement for an Extraordinary Voting Matter*

The Quorum Requirement in respect of an Extraordinary Voting Matter shall initially be one or more Participating Qualifying Issuer Secured Creditors who represent, in aggregate, at least 20 per cent. of the entire Outstanding Principal Amount of all Qualifying Issuer Senior Debt, **provided that** if the Quorum Requirement has not been met within the Decision Period, the Quorum Requirement shall be reduced to one or more Participating Qualifying Issuer Secured Creditors who represent, in aggregate, 10 per cent. of the aggregate Outstanding Principal Amount of all Qualifying Issuer Senior Debt and the Decision Period shall be extended for a period of a further 10 days from the expiry of the initial Decision Period.

*Requisite majority in respect of an Extraordinary Voting Matter*

The majority required to pass a resolution in respect of an Extraordinary Voting Matter (an "**Extraordinary ISC Resolution**") shall be at least 66.67 per cent. of the Participating Qualifying Issuer Secured Creditors by reference to the Outstanding Principal Amount of the aggregate Voted Qualifying Debt of such Participating Qualifying Issuer Secured Creditors.

The relevant Qualifying Issuer Secured Creditors who did not cast their votes within the Decision Period (as extended, if applicable) shall be considered to have waived their entitlement to vote and will not be counted in the numerator of any fraction used to determine whether the Quorum Requirement is satisfied, or in either the numerator or the denominator of any fraction used for the purposes of calculating the majority required to approve the relevant Proposal Request.

*Consent required if Entrenched Rights*

Notwithstanding the passing of the Extraordinary ISC Resolution, no Proposal Request in respect of any Extraordinary Voting Matter will be implemented if such Proposal Request gives rise to an Entrenched Right and the relevant Affected Issuer Secured Creditor(s) including, where the Issuer is an Affected Issuer Secured Creditor, each Issuer Secured Creditor which is affected by such Entrenched Right (or, as applicable its or their, Secured Creditor Representative or Secured Creditor Representatives) have not consented to such Proposal Request in respect of its or their Entrenched Right, or such consent is not required due to the lapse of a relevant time period.

### *Entrenched Rights*

No proposed modification to be made, consent to be given or waiver to be granted, in respect of any Transaction Document which gives rise to an Entrenched Right shall be effective, and the Issuer Security Trustee shall not concur with the Issuer Obligors in making any modification to, giving any consent under or granting any waiver in respect of breaches or proposed breaches of any Transaction Document which gives rise to an Entrenched Right unless and until the Secured Creditor Representative on behalf of each such Affected Issuer Secured Creditor has confirmed to the Issuer Security Trustee its approval of the relevant modification, consent or waiver (subject to any required quorum and voting majorities specified in the relevant Transaction Document) or the time period referred to in "*Minimum Requirements of a Proposal Request*" above and set out in the relevant Proposal Request has passed since each such Affected Issuer Secured Creditor was notified of such Entrenched Right (at which time, if an Affected Issuer Secured Creditor has not responded to the Proposal Request, such person or persons shall be deemed to have consented to the relevant Proposal Request and to have confirmed to the Issuer Security Trustee their approval of the relevant modification, consent or waiver).

### *Meaning of "affected"*

An Issuer Secured Creditor will be "affected" by an Entrenched Right if the subject matter of such Entrenched Right constitutes or gives rise to an Entrenched Right with respect to such Issuer Secured Creditor.

### *Reserved Matters of Issuer Secured Creditors*

The parties to an Issuer Transaction Document (which is not a Common Document) (an "**Other Transaction Document**") may agree to any modification to, give its consent under or grant any waiver in respect of any matter under that Other Transaction Document without the consent of any other party **provided that** if such modification, consent or waiver is inconsistent with any provisions of the Issuer Deed of Charge, the provision of the Issuer Deed of Charge shall prevail.

However, nothing in the Issuer Deed of Charge shall prevent any Issuer Secured Creditor from exercising any of the following:

- (a) to receive any sums owing to it for its own account in respect of premia, fees, costs, charges, liabilities, damages, proceedings, claims and demands in relation to a Transaction Document to which it is a party as permitted pursuant to the terms of such Transaction Document;
- (b) to make determinations of payments due and payable to it under the provisions of any Transaction Document or otherwise;
- (c) to assign its rights or transfer any of its rights and obligations under any Transaction Document to which it is a party subject always to the terms of the Common Terms Agreement;
- (d) to require the making of payments due and payable to it under the provisions of any Transaction Document to which it is a party as permitted by the terms of such Transaction Document and the Issuer Deed of Charge;
- (e) to exercise the rights vested in it or permitted to be exercised by it under and pursuant to the terms of the other Transaction Documents; and
- (f) in addition, in the case of each Hedge Counterparty only, (i) to terminate a Hedging Transaction under a Hedge Agreement to which it is a party in whole or in part (and, where in part, to amend the terms of the Hedging Transaction to reflect such partial termination) provided in each case that such termination is a Permitted Hedge Termination or (ii) to exercise rights permitted to be exercised by it under a Hedge Agreement.

### *(d) Qualifying Issuer Secured Creditor Instructions*

Any Qualifying Issuer Secured Creditor which by itself or together with any other Qualifying Issuer Secured Creditor(s) is or are owed Qualifying Issuer Senior Debt having an aggregate Outstanding Principal Amount of at least 20 per cent. of the aggregate Outstanding Principal Amount of all Qualifying Issuer Senior Debt then outstanding may by giving notice (a "**SC Instruction Notice**") to the Issuer

Security Trustee instruct the Issuer Security Trustee to exercise any of the rights granted to the Issuer Security Trustee under the Common Documents. The Issuer Security Trustee shall exercise any of the above rights in accordance with the directions set out in the SC Instruction Notice subject in all cases to it being Indemnified and/or secured and/or prefunded to its satisfaction.

#### *Request for Direction*

In respect of any matter which is not the subject of a Proposal Request, an Enforcement Instruction Notice or a SC Instruction Notice, (including, without limitation, any right of the Issuer Security Trustee, to instruct the AssetCo Security Trustee in respect of any Enforcement Action prior to the occurrence of the Issuer Event of Default) the Issuer Security Trustee may by notice (a "**Direction Notice**") request an instruction from the Qualifying Issuer Secured Creditors as to whether the Issuer Security Trustee should agree to a consent, waiver or modification or exercise a right, power or discretion pursuant to the Transaction Documents and the manner in which it should do so.

#### *Indemnification of the Issuer Security Trustee*

The Issuer Deed of Charge will contain provisions for indemnification of the Issuer Security Trustee, and for its relief from responsibility, including provisions relieving it from taking any action including taking proceedings against the Issuer and/or any other person unless indemnified and/or secured to its satisfaction.

Save as otherwise provided in any Issuer Transaction Document, the Issuer Security Trustee will only be required to take any action under or in relation to, or shall not be obliged to enforce the Issuer Obligor Security unless it has been indemnified and/or secured and/or prefunded to its satisfaction; **provided that** the Issuer Security Trustee agrees that in respect of the appointment of an Administrative Receiver of the Issuer or directing the appointment of an Administrative Receiver of an AssetCo, it shall be treated as being indemnified and secured and/or prefunded to its satisfaction in respect of such appointment(s), pursuant to its rights against the Issuer in the Issuer Deed of Charge.

#### *Liabilities*

To the extent permitted by law, no action permitted by the Issuer Deed of Charge, or any neglect or default in connection with the Issuer Obligor Charged Property, or possession or realisation of the Issuer Obligor Charged Property in accordance with the Issuer Deed of Charge will give rise to liability for the Issuer Security Trustee or any Receiver except in the case of gross negligence, wilful default or fraud.

The Issuer Deed of Charge and all non-contractual or other obligations arising out of or in connection with it will be governed by English law.

#### **Common Terms Agreement**

##### *General*

Each of the Issuer, the Issuer Security Trustee and Issuer Note Trustee, the AssetCo Security Trustee, ParentCo, HoldCo, the Original AssetCos, UPP (Broadgate Park) Limited, the Account Bank, the Cash Administrator, the Issuer Corporate Officer Provider, the Initial Hedge Counterparties and the Principal Paying Agent, among others, will enter into the Common Terms Agreement on or about the Initial Issue Date. The Common Terms Agreement sets out, amongst other provisions, the representations, covenants (positive, negative and financial), Monitoring Trigger Events and Lock-Up Events, Issuer Events of Default, Senior DSCR Enforcement Event, AssetCo Events of Default and Hedging Policy in relation to the Programme.

It is a term of the Common Terms Agreement that where any provision of any other Transaction Document is inconsistent with any provision of the Common Terms Agreement or Master Definitions Schedule, the provision of the Common Terms Agreement shall prevail, unless the inconsistent term is part of the Issuer Deed of Charge in which case the Issuer Deed of Charge will prevail.

It is a requirement of the Common Terms Agreement that on appointment of successor Trustees, each of the Transaction Parties shall take such action as reasonably required for the purposes of vesting in the successor Trustees the benefit of the Transaction Documents and the rights, powers and obligations of the

relevant Trustee under the relevant Transaction Documents. It is also required that the outgoing Trustee be released from future obligations under the relevant Transaction Documents.

The Common Terms Agreement provides that only the Issuer Security Trustee may pursue the remedies available under the general law or under the Transaction Documents to enforce the Issuer Obligor Security and no party shall be entitled to proceed directly against any Issuer Obligor to enforce the Issuer Obligor Security.

Furthermore, it is also a term that each party to the Common Terms Agreement (other than the Issuer Security Trustee) agrees with each of the Issuer Obligors and the Issuer Security Trustee that notwithstanding any other provision of any Transaction Document (other than the Securities), all obligations of the Issuer Obligors to it, including the Issuer Obligor Secured Liabilities (but excluding the Securities without prejudice to Condition 20 (*Limited Recourse*) of the Notes or the equivalent provision in any Private Placement Notes) of the Obligors, are limited in recourse such that:

- (a) each party will have a claim only in respect of the Issuer Obligor Charged Property of any Issuer Obligor and will not have any claim, by operation of law or otherwise, against, or recourse to any of the other assets or the contributed capital of any Issuer Obligor;
- (b) the aggregate amount of all sums due and payable to each party in respect of an Issuer Obligor's obligations to such party shall reduce by the amount by which the aggregate amount of sums due and payable to such party exceeds the aggregate amounts received, realised or otherwise recovered by or for the account of such Issuer Obligor in respect of the Issuer Obligor Charged Property of such Issuer Obligor (after payment of any sums which are payable by the Issuer Obligors in accordance with the Issuer Priority of Payments in priority to or *pari passu* with sums payable to such party), whether pursuant to enforcement of the Issuer Obligor Security of such Obligor or otherwise; and
- (c) upon the Issuer Security Trustee giving written notice to the Issuer Secured Creditors that it has determined in its sole opinion, that there is no reasonable likelihood of there being any further realisations in respect of the Issuer Obligor Charged Property (whether arising from an enforcement of the Issuer Obligor Security or otherwise) which would be available to pay unpaid amounts outstanding under the Transaction Documents, each party shall have no further claim against the relevant Issuer Obligor in respect of any such unpaid amounts and such unpaid amounts shall be discharged in full.

A summary of the representations and warranties, covenants, Monitoring Trigger Events and Lock-Up Events, Issuer Events of Default, Senior DSCR Enforcement Event, AssetCo Events of Default and Hedging Policy included in the Common Terms Agreement is set out below.

### ***Representations and Warranties***

#### ***Representations and Warranties by the Issuer***

On the Initial Signing Date, the Initial Issue Date, each Issue Date and on each Interest Payment Date, the Issuer will make a number of representations in respect of itself to the Issuer Security Trustee and the Issuer Note Trustee. When a representation or warranty is repeated in respect of any Issue Date, certain representations shall be limited and refer only to the Tranches to be issued on such Issue Date and the Base Prospectus prepared thereto. The representations include, *inter alia*, (subject, in some cases, to agreed exceptions and qualifications as to materiality and reservations of law) representations as to:

- (a) its due incorporation and power and authority (i) to enter into and perform its obligations under the Issuer Transaction Documents to the extent applicable to it and to create and issue the Securities, (ii) has the power and authority to own, lease and operate its assets and carry on its business as it is being conducted;
- (b) its obligations under the Issuer Transaction Documents (other than the Securities) being legal, subject to certain reservations, valid, binding and enforceable and compliance with such obligations;



- (c) its entry into and performance under the Issuer Transaction Documents not conflicting with any document which is binding upon it, its constitutional documents or any applicable law, licence or regulation;
- (d) all relevant consents, authorisations, licences and approvals having been obtained and compliance with all applicable laws;
- (e) the absence of a Default, Senior DSCR Enforcement Event, Monitoring Trigger Event, Lock-Up Event or Insolvency Events or other event or circumstance which constitutes (or, with the expiry of a grace period, would constitute) a default or termination event under any other agreement or instrument to which it is a party;
- (f) validity and admissibility in evidence of the Issuer Transaction Documents, the recognition of the choice of jurisdiction of the courts of England and Wales in any proceedings, the recognition of the choice of English law to govern such documents and all acts, conditions and things required to be done in connection thereto have or will be done when so legally required;
- (g) this Base Prospectus containing all such material information as is necessary to enable investors to make an informed assessment of the Issuer and the rights attaching to the Securities;
- (h) the legality and validity of the Security and the absence of security interests ranking prior or *pari passu* to the Security other than Permitted Security Interest;
- (i) save as disclosed in the Base Prospectus the absence of current, or to the knowledge of its directors, threatened, litigation, arbitration, administrative proceedings or other proceedings (excluding frivolous or vexatious claims discharged within 30 days);
- (j) certain matters related to tax including tax residence and stamp duty tax;
- (k) matters relating to its centre of main interest;
- (l) the absence of any action or proceedings being served on it for its winding-up or administration; and
- (m) the view given by the Issuer's most recently delivered Financial Statements giving, true and fair view of its financial condition.

*Representations and Warranties by HoldCo and ParentCo*

On the Initial Signing Date, the Initial Issue Date, and (in relation to certain representations and warranties) on each Interest Payment Date, HoldCo and ParentCo will make a number of representations including, *inter alia*, (subject, in some cases, to agreed exceptions and qualifications as to materiality and reservations of law) representations as to:

- (a) their due incorporation, power and authority (i) to enter into and perform their obligations under the relevant Transaction Documents to the extent applicable to them, (ii) have the power and authority to own, lease and operate their assets and carry on their business;
- (b) their obligations under the relevant Transaction Documents being legal, valid, binding and enforceable and compliance with such obligations;
- (c) their entry into and performance under the relevant Transaction Documents not conflicting with any document or agreement which is binding upon them, their constitutional documents or any applicable law, licence or regulation;
- (d) all relevant consents, authorisations, licences and approvals (including, without limitation, environmental permits) having been obtained and compliance with all applicable laws;
- (e) the validity and admissibility in evidence of the relevant Transaction Documents, the recognition of the choice of jurisdiction of the courts of England and Wales in any proceedings, the recognition of the choice of English law to govern such documents and the absence of filling and

registration requirements in relation thereto and all acts, conditions and things required to be done in connection thereto have or will be done when so legally required;

- (f) certain matters related to tax including tax residence and stamp duty that they are, and have at all times been, tax resident only in the United Kingdom;
- (g) the absence of any Default, Senior DSCR Enforcement Event, Monitoring Trigger Event or Lock-Up Event that will result from the execution of, or the performance of, any transaction contemplated by any relevant Transaction Document;
- (h) its most recently delivered Financial Statements have been prepared in accordance with the Accounting Standards and give a true and fair view of their financial condition;
- (i) there being no violation of any judgment, law, regulation, order or decree applicable to it;
- (j) absence of current, or to the knowledge of its directors, threatened, litigation, arbitration, administrative proceedings, governmental or official investigation, environmental claims or other proceedings excluding frivolous or vexatious claims discharged within 30 days;
- (k) the absence of Insolvency Events, Proceedings or other similar events and circumstances;
- (l) there being no security over all or any of its present or future assets other than Permitted Security Interests; and
- (m) subject to certain reservations and filing requirements, the legality and validity of the Security and the absence of Security ranking prior or *pari passu* to Security created pursuant to the Issuer Obligor Security Documents.

#### *Representations and Warranties by the AssetCos*

On the Initial Signing Date, the Initial Issue Date, and (in relation to certain representations and warranties) on each Interest Payment Date, the AssetCos will make a number of representations including (subject, in some cases, to agreed exceptions and qualifications as to materiality and reservations of law) representations as to:

- (a) their due incorporation, power and authority (i) to enter into and perform their obligations under the relevant Project Documents to the extent applicable to them, (ii) have the power and authority to own, lease and operate their assets and carry on their business;
- (b) subject to certain reservations, their obligations under the relevant AssetCo Documents being legal, valid, binding and enforceable and compliance with such obligations;
- (c) their entry into and performance under the relevant AssetCo Documents not conflicting with any document which is binding upon them, their constitutional documents or any applicable law, licence or regulation;
- (d) all relevant consents, authorisations, licences and approvals (including, without limitation, environmental permits) having been obtained and compliance with all applicable laws (other than where non-compliance could not reasonably be expected to have a Material Adverse Effect);
- (e) that all acts have been performed to ensure the validity and admissibility in evidence of the relevant AssetCo Documents, the recognition of the choice of jurisdiction of the courts of England and Wales in any proceedings, the recognition of the choice of English law to govern such documents and the absence of filing and registration requirements in relation thereto;
- (f) certain matters related to tax including stamp duty;
- (g) the absence of any AssetCo Event of Default;
- (h) its most recently delivered Financial Statements have been prepared in accordance with the Accounting Standards and give a true and fair view of their financial condition;
- (i) there being no violation of any judgment, law, regulation, order or decree applicable to it;

- (j) so far as they are aware, the absence of current, or to the knowledge of its directors pending or threatened, litigation, arbitration, administrative proceedings, or other proceedings (excluding frivolous or vexatious claims) which would restrain an AssetCo from entering into or performing their obligations under any AssetCo Documents or which, if adversely determined, might reasonably be expected to have a Material Adverse Effect;
- (k) the absence of Insolvency Events, Proceedings or other similar events and circumstances;
- (l) there being no security over all or any of the present or future revenues or assets of the relevant AssetCo other than Permitted Security Interests;
- (m) subject to certain reservations and filing requirements, the legality and validity of the Security and the absence of Security ranking prior or *pari passu* to Security created pursuant to the Issuer Obligor Security Documents;
- (n) full disclosure to the Issuer and each Security Trustee of details of inspections and investigations pursuant to Environmental Law;
- (o) it has provided all information required to be provided by it to the relevant University within the required timescale for the effected provision of all contents required from each University under the relevant Project Documents and Transaction Documents; and
- (p) none of the Properties or any other material assets of an AssetCo (or part thereof) are subject to any compulsory purchase order or any order, notice or direction having similar effect.

### ***Covenants***

The Common Terms Agreement contains certain covenants from each of the Issuer, ParentCo, HoldCo and the AssetCos. A summary of the covenants is set out below.

#### ***Issuer Covenants***

The Issuer covenants with the Issuer Security Trustee and, where applicable, Issuer Note Trustee that it will comply with:

- (a) certain corporate covenants including, amongst other things, that it:
  - (A) shall at all times carry on and conduct its affairs in its own name and in a proper and efficient manner in compliance with any requirement of law and any Regulatory Direction in force in England and Wales or in any other applicable jurisdiction in which it carries on its business and in compliance with its memorandum and articles of association;
  - (B) shall do all that is necessary to maintain in full force and effect all authorisations, approvals, licences and consents necessary under any Requirement of Law and any Regulatory Direction in connection with its business necessary to enable it to perform lawfully the obligations under the Issuer Transaction Documents (subject to certain reservations) and to ensure the legality, validity, enforceability or admissibility of the same;
  - (C) shall maintain its registered office in England and Wales and not move it to another jurisdiction, nor hold meetings of the board of directors outside the United Kingdom, nor take any action which will cause its centre of main interests to be located in any jurisdiction other than the United Kingdom;
  - (D) shall cause to be prepared in respect of each of its Financial Years, Financial Statements in such form as will comply with the requirements for the time being of the Companies Act;
  - (E) on each Test Date, or otherwise at the request of the Issuer Security Trustee or Issuer Note Trustee deliver a certificate (a "**Compliance Certificate**") stating, amongst other things, the (i) Historic AssetCo DSCR (of each AssetCo), Historic Senior DSCR,

Projected AssetCo DSCR (of each AssetCo) and Projected Senior DSCR (ii) that, no Default has occurred, or specify details if such Issuer Event of Default has occurred and (iii) that, to the best knowledge and belief of the signatories that the Group is in compliance with the Hedging Policy;

- (F) shall supply to the Cash Administrator, the Issuer Note Trustee and the Issuer Security Trustee two copies of each of (a) its audited Financial Statements, and related auditors' opinion, within 120 days after the end of its preceding Financial Year (such Financial Statements to comprise profit and loss account, balance sheet and cashflow statement) and (b) its unaudited Financial Statements for the first financial half-year in each of its Financial Years within 60 days after the end of such financial half-year (such Financial Statements to comprise profit and loss account, balance sheet and cashflow statement for such financial half-year);
- (G) shall not, until after the Final Discharge Date, save to the extent permitted or contemplated by the Issuer Transaction Documents or with prior written consent of the Issuer Security Trustee or Issuer Note Trustee (as applicable):
- (1) enter into any documents;
  - (2) sell, convey, transfer, lease, assign or otherwise dispose of or agree or attempt or purport to sell, convey, transfer, lease or otherwise dispose of or use, invest or otherwise deal with any of its properties, assets or undertaking or grant any option or right to acquire the same other than Permitted Disposals;
  - (3) grant, create or permit to exist any encumbrance over (including the grant of security or trust over or the occurrence of execution or diligence in respect of) its present or future business, assets or undertaking assets other than Permitted Security Interests; or
  - (4) pay or make any Distributions (other than from any surplus money available to it from the Issuer Priority of Payments and then only in the manner permitted by its constitutional documents and by applicable laws and provided that no Lock Up Event has occurred);
  - (5) incur or permit to subsist any Financial Indebtedness whatsoever other than Permitted Financial Indebtedness and provided further that, in respect of the issuance of Private Placement Notes, the Private Placement Notes Issuance Conditions are complied with on the date of issuance;
  - (6) make any loans, grant any credit or give any guarantee or indemnity to or for the benefit of any person or otherwise voluntarily assume any liability, whether actual or contingent, in respect of any obligation of any other person other than Permitted Loans;
  - (7) consolidate or merge with any other person;
  - (8) be treated as a member of any VAT Group;
  - (9) surrender any losses or tax reliefs to any other company;
  - (10) acquire any leasehold, freehold or heritable property other than Permitted Acquisitions;
  - (11) have any employees or premises or have any subsidiary undertaking (as defined in the Companies Acts) or become a director of any company;
  - (12) have an interest in any bank account other than the Issuer Accounts unless such account or interest is charged to the Issuer Security Trustee on terms acceptable to it;

- (13) amend, supplement or otherwise modify its constitutional documents where such change would be or would reasonably be expected to be materially prejudicial to the interests of the Issuer Secured Creditors; or
  - (14) permit the validity or effectiveness of the Issuer Obligor Security Documents or of the Issuer Obligor Security to be impaired or to be amended, hypothecated, subordinated, terminated or discharged.
- (b) certain general covenants including, amongst other things, that it:
- (A) shall not (except as otherwise permitted or contemplated by the Issuer Transaction Documents) carry on or transact any business other than the raising of funds to provide debt financing to AssetCos in accordance with the Issuer Transaction Documents, or enter into any Hedge Agreement in accordance with the Hedging Policy, or own any asset or incur any Liabilities except as required for the purposes of carrying on that business in accordance with the Issuer Transaction Documents, or suspend, abandon or cease to carry on its business;
  - (B) shall upon reasonable notice, during normal business hours allow the Issuer Security Trustee or Issuer Note Trustee (as applicable) and any persons appointed by the Issuer Security Trustee or Issuer Note Trustee access to such books of account and other business records as relate to the assigned rights or the benefit of the assigned rights as the Issuer Security Trustee, the Issuer Note Trustee or any such persons may reasonably require;
  - (C) shall promptly notify the Issuer Security Trustee and the Issuer Note Trustee if it becomes aware of any breach of any representation made by it pursuant to the Common Terms Agreement or of any breach of any undertaking given by it in any Issuer Transaction Document;
  - (D) shall, if any Proceedings are instituted against it by any of its creditors or in respect of any of the assigned rights, including any litigation or claim calling into question in any material way its interest therein, promptly notify the Issuer Note Trustee and the Issuer Security Trustee of such Proceedings, and notify the court and any receiver appointed in respect of the property the subject of such Proceedings of the interests of the Issuer Security Trustee in the assigned rights;
  - (E) shall deliver notice to the Issuer Security Trustee and Issuer Note Trustee forthwith upon becoming aware of any Default, Monitoring Trigger Event, Senior DSCR Enforcement Event or Lock-Up Event without waiting for the Issuer Security Trustee or Issuer Note Trustee to take any further action;
  - (F) shall not until the Final Discharge Date, save to the extent permitted by the Issuer Transaction Documents or with the prior written consent of the Issuer Security Trustee terminate, repudiate, rescind or discharge any Issuer Transaction Document, or vary, novate, amend, modify or waive any provision of any Issuer Transaction Document, permit any person to do the aforesaid, or permit any person who has obligations under the Issuer Transaction Documents to be released from such obligations other than in accordance with the terms of the applicable Issuer Transaction Document and any applicable Requirement of Law or Regulatory Direction;
  - (G) shall at all times use reasonable endeavours to procure the admission of all listed Notes to the Official List and to trading on the main market of the Irish Stock Exchange, or such other Stock Exchange which is a recognised stock exchange as defined in section 1005 of the Income Tax Act 2007 approved by the relevant Dealers, and to maintain such admission until none of the relevant listed Notes are outstanding. If it is unable to maintain the listing having used all reasonable endeavours or if the maintenance of such listing is agreed by the Issuer Note Trustee to be unduly burdensome or impractical, it shall use reasonable endeavours to obtain and maintain a listing of the Notes on such other stock exchange(s) or securities market(s) (in each case which is a recognised Stock Exchange as defined in section 1005 of the Income Tax Act 2007) as it may

decide and give notice of the identity of such other Stock Exchange(s) or securities market(s) to the Noteholders;

- (H) shall, while any of the Notes remain outstanding, give notice, or procure that notice is given, to each of the Rating Agencies of any proposed amendment to the Issuer Transaction Documents other than amendments that the Issuer Note Trustee considers to be of a formal, minor or technical nature;
- (I) shall not engage in any activities in the United States (directly or through agents), or derive any income from United States sources as determined under United States income tax principles, or hold any property if doing so would cause it to be engaged in a trade or business with the United States as determined under United States income tax principles;
- (J) shall forthwith give notice to the Noteholders or Private Placement Noteholders of payments of any sum due in respect of the Securities, the Coupons or the Receipts made after their due date to the Principal Paying Agent or the Issuer Note Trustee or Private Placement Noteholders as applicable;
- (K) shall, if it gives notice that it intends to redeem any Securities pursuant to their terms prior to giving such notice to the Noteholders or the Private Placement Noteholders (or their representatives), provide such information to the Issuer Note Trustee or the Private Placement Noteholder (or their representative) requires in order to satisfy itself if applicable, to the terms of such redemption including:
  - (1) written notice to the Issuer Note Trustee or the Private Placement Noteholder (or their representative) of the Securities which it intends to redeem and the amount of such redemption or repayment; and
  - (2) a certification signed by an Authorised Signatory certifying that it will have the necessary funds on the date on which redemption is to occur to discharge all its liabilities due on such date;
- (L) shall not, (i) without the prior written consent of the Issuer Security Trustee, agree to any increase in the aggregate fees payable to the Issuer Management Services Provider on any annual basis under the Issuer Management Services Agreement in excess of £50,000 per annum (indexed), (ii) terminate the appointment of the Issuer Management Services Provider unless a replacement services provider has been appointed whose identity and terms of appointment are acceptable to the Issuer Security Trustee, and (iii) without the prior written consent of the Issuer Security Trustee, consent to any amendment, waiver or modification of any provision of the Issuer Management Services Agreement in relation to the fees payable to the Issuer Management Services Provider, the appointment and termination of the appointment of the Issuer Management Services Provider and non-petition and limited recourse clauses of the Issuer Management Services Agreement; and
- (M) shall ensure that the claims of the Issuer Secured Creditors against it under the Issuer Transaction Documents (subject to the certain reservations) to the extent that they are secured pursuant to the Issuer Obligor Security Documents will rank prior to the claims of all its other unsecured and unsubordinated creditors save for those whose claims are preferred solely by any law whether under bankruptcy, insolvency, liquidation or other similar laws of general application;
- (N) shall ensure that its unsecured and unsubordinated payment obligations under each of the Issuer Transaction Documents at all times rank at least pari passu with all its present and future unsecured unsubordinated payment obligations, except for obligations mandatorily preferred by law applying to companies generally in its jurisdiction of incorporation or any other jurisdiction where it carries on business;

*ParentCo and HoldCo Covenants*

ParentCo and HoldCo covenant with the Issuer Security Trustee and the Issuer Note Trustee that it will comply with:

- (a) certain positive covenants including, amongst other things, that it shall:
  - (A) comply in all material respects with all judgments, laws, rules, regulations, agreements, orders or decrees to which it is subject;
  - (B) obtain, comply with the terms of and do all that is necessary to maintain in full force and effect all authorisations, approvals, licences and consents necessary under any Requirement of Law and any Regulatory Direction from time to time in force in England and Wales or in any other applicable jurisdiction in connection with its business and necessary to enable it lawfully to enter into and perform its obligations under the relevant Issuer Transaction Documents subject to the Reservations to ensure the legality, validity, enforceability or admissibility in evidence in England and Wales of the relevant Issuer Transaction Documents;
  - (C) operate and maintain, or ensure the operation and maintenance of, its business in accordance with the terms of the relevant Transaction Documents, constitutional documents and in accordance with good industry practice;
  - (D) perform its obligations under, and comply with the terms of, the relevant Transaction Documents and maintain, protect and take all reasonable steps to enforce its rights, interests and exercise its discretions under the relevant Transaction Documents in accordance with good industry practice;
  - (E) procure that there are installed and maintained management accounting and systems customary for a business of its nature and size and that it has accounting and management systems which enable it to provide the reports required;
  - (F) ensure that the claims of the Issuer Secured Creditors against it under the relevant Transaction Documents (subject to certain reservations) to the extent that they are secured pursuant to the Issuer Obligor Security Documents will rank prior to the claims of all its other unsecured and unsubordinated creditors save for those whose claims are preferred solely by any law whether under bankruptcy, insolvency, liquidation or other similar laws of general application;
  - (G) ensure that its unsecured and unsubordinated payment obligations under each of the relevant Transaction Documents at all times rank at least *pari passu* with all its present and future unsecured unsubordinated payment obligations, except for obligations mandatorily preferred by law applying to companies generally in its jurisdiction of incorporation or any other jurisdiction where it carries on business; and
  - (H) in relation to HoldCo only, have at all times at least one independent director who is not otherwise affiliated with the UPP Group Limited.
- (b) certain negative covenants including, amongst other things, that it shall not:
  - (A) create or allow to exist any encumbrance over or on any of its present or future business, assets or undertaking other than Permitted Security Interests;
  - (B) incur or permit to be outstanding any Financial Indebtedness other than Permitted Financial Indebtedness or incur, give or allow to be outstanding any guarantee by it or any of its Subsidiaries other than a Permitted Guarantee;
  - (C) make any loans, grant any credit or give any guarantee or indemnity to or for the benefit of any person or otherwise voluntarily assume any liability in respect of the obligation of any other person other than Permitted Loans;

- (D) without the prior written consent of the Issuer Security Trustee, change its constitutional documents where such change would be or would reasonably be expected to be materially prejudicial to the interests of the other Issuer Secured Creditors;
- (E) (except as otherwise expressly permitted or contemplated by the Transaction Documents) carry on or transact any business other than non-trading business of a Holding Company (i) owning the shares in ParentCo (in the case of HoldCo) and the shares in each AssetCo ,and indirectly in the case of UPP (Broadgate Park) Limited, and the Issuer (in the case of ParentCo) (ii) in the case of ParentCo only, acting as cash administrator of the Accounts and (iii) entering into the financing arrangements expressly permitted;
- (F) sell, convey, transfer, lease, assign or otherwise dispose of or agree or attempt to dispose of its properties, assets or undertaking, other than Permitted Disposals;
- (G) redeem, repurchase, defease, retire or repay any of its share capital or resolve to do so; issue any shares which by their terms are redeemable or convertible or exchangeable for Financial Indebtedness; or after the Initial Signing Date, issue any share capital to any person other than (except in the case of the Issuer) to its immediate holding company which is (other than in the case of HoldCo) an Obligor in the context of a New Asset acquisition;
- (H) enter into any Treasury Transaction;
- (I) enter into any amalgamation, demerger, merger, consolidation or reconstruction other than as contemplated by the relevant Transaction Documents or enter voluntarily into liquidation or dissolution;
- (J) other than pursuant to a Permitted Acquisition, acquire or subscribe for shares or other ownership interests in or securities of any company (or other person) acquire any business, undertaking or asset or incorporate any company or other person; or
- (K) open or maintain any bank accounts other than those permitted under the Transaction Documents and charged by the relevant Transaction Documents;
- (L) shall not, (i) without the prior written consent of the Issuer Security Trustee, agree to any increase in the aggregate fees payable to the Issuer Management Services Provider on any annual basis under the Issuer Management Services Agreement in excess of £50,000 per annum (indexed), (ii) terminate the appointment of the Issuer Management Services Provider unless a replacement services provider has been appointed whose identity and terms of appointment are acceptable to the Issuer Security Trustee, and (iii) without the prior written consent of the Issuer Security Trustee, consent to any amendment, waiver or modification of any provision of the Issuer Management Services Agreement in relation to the fees payable to the Issuer Management Services Provider, the appointment and termination of the appointment of the Issuer Management Services Provider and non-petition and limited recourse clauses of the Issuer Management Services Agreement; and
- (M) shall not until the Final Discharge Date, save to the extent permitted by the relevant Transaction Documents or with the prior written consent of the Issuer Security Trustee (i) terminate, repudiate, rescind or discharge any relevant Transaction Document; (ii) vary, novate, amend, modify or waive any provision of any relevant Transaction Document; (iii) permit any person to do any of the things specified in (i) or (ii) above; or (iv) permit any person who has obligations under the relevant Transaction Documents to be released from such obligations other than in accordance with the terms of the applicable Transaction Document and any applicable Requirement of Law or Regulatory Direction.



### *AssetCo Covenants*

Each AssetCo covenants with the Issuer and the AssetCo Security Trustee that it shall, amongst other things:

- (a) at all times carry on and conduct its affairs in its own name and in a proper and efficient manner in compliance with all of its duties and obligations under all applicable law and any Regulatory Direction from time to time in force in England and Wales or in any other jurisdiction in which it carries on business and in compliance with its constitutional documents to the extent that a failure to do so would have a Material Adverse Effect;
- (b) obtain, comply with the terms of and do all that is necessary to maintain in full force and effect all authorisations, approvals, licences and consents necessary under any Requirement of Law and any Regulatory Direction from time to time in force in England and Wales or in any other applicable jurisdiction in connection with its business to enable it lawfully to enter into and perform its obligations under the relevant AssetCo Documents and, subject to the Reservations and Required Filings having been effected, to ensure the legality, validity, enforceability or admissibility in evidence in England and Wales of the relevant AssetCo Documents;
- (c) cause to be prepared in respect of each of its Financial Years, Financial Statements in such form as will comply with the requirements for the time being of the Companies Acts and shall supply to the Issuer and each Security Trustee and, if applicable, the Cash Administrator, two copies each of (a) its audited Financial Statements, and related auditors' opinion, within 120 days after the end of its preceding Financial Year (such Financial Statements to comprise profit and loss account, balance sheet and cashflow statement) and (b) as soon as the same become available, but in any event within 60 days after the end of each financial half year, its unaudited management accounts for such year;
- (d) on each Test Date and otherwise forthwith on request by the Issuer or a Security Trustee deliver a certificate signed by one of its directors stating that no AssetCo Event of Default or Monitoring Trigger Event in relation to it has occurred and is continuing (or, if this is not the case, specifying the particulars of any such AssetCo Event of Default or Monitoring Trigger Event);
- (e) upon its receipt of each relevant Sinking Fund Works Programme, provide a copy of such document to the Issuer and agree the contents of such document with the Issuer;
- (f) supply a draft relevant Operating Budget to the Issuer, not later than 30 Business Days before the end of each Financial Year (other than the first Operating Budget), covering the immediately following Financial Year;
- (g) meet its Liabilities out of its own funds (or funds that it is otherwise permitted to use for those purposes);
- (h) maintain an arm's length relationship with all other entities other than Obligors;
- (i) (i) direct that all amounts received by it, other than the Damage Deposit Amounts, are paid into the Collection Account, (ii) ensure that all Damage Deposit Amounts are paid directly into its Damage Deposit Account, (iii) not open or operate any account other than those contemplated under the Account Bank Agreement and its Damage Deposit Account, if any, and, in the case of UPP Broadgate Park only, the Broadgate Park Receipts Account, (iv) ensure that all amounts withdrawn from its Damage Deposit Account, if applicable, are either (a) returned to the relevant depositor or (b) applied by the FM Provider in repairing any damage in respect of which such amounts are entitled to be applied or (c) in respect of an amount paid into a Damage Deposit Account in error by the relevant University, paid into the relevant Collection Account to which the payment should have been made in accordance with the Transaction Documents (iv) only direct the operation of the AssetCo Maintained Accounts in accordance with the provisions of the Transaction Documents, (vi) if requested, once per Test Period, provide to the Issuer and the Security Trustees upon at least five Business Days' prior written notice a statement detailing the amount of cash it is projecting to have available for distribution at paragraph (i) of the Operating Account Priority of Payments on the then next succeeding Prefunding Date assuming the Operating Account Priority of Payments is applied on the basis of its own income and

expenditure only for the relevant period and assuming the relevant payment obligations are calculated on a pro rata basis equal to the Relevant Proportion, and (vii) make reasonable efforts to ensure that the Cash Administrator complies with its obligations under the Cash Administration Agreement;

- (j) promptly obtain and maintain in full force and effect all governmental and regulatory consents, licences, material authorisations and approvals required for the conduct of its business and comply in all material respects with the terms of any authorisation required to enable it to perform its obligations under, and, subject to certain reservations and required filings for the validity or enforceability of, any relevant AssetCo Document and the transactions carried out by it;
- (k) comply in all material respects with all judgments, laws, rules, regulations, agreements, orders or decrees to which it is subject to the extent that a failure to do so may have a Material Adverse Effect;
- (l) at all times comply with and perform all its obligations under the relevant AssetCo Documents in all material respects and all other leases, permissions, consents, approvals, licenses, easements, rights of way and any other rights to which it is or shall be a party;
- (m) preserve and exercise and enforce its rights under the relevant Project Documents in such a way as to comply with applicable law and shall comply with its obligations under the relevant Project Documents;
- (n) upon reasonable notice, during normal business hours, allow the Security Trustees and any persons appointed by it access to its books of account and other business records;
- (o) perform certain notification obligations;
- (p) if any material legal proceedings are instituted against it by any of its creditors or in respect of any of the assigned rights, including any litigation or claim calling into question in any material way its interest therein and such proceedings are not discharged within 60 days it shall immediately notify the Issuer Note Trustee and Issuer Security Trustee (amongst others);
- (q) not until the Final Discharge Date, save with the prior written consent of the Issuer (i) terminate, repudiate, rescind, assign, novate, transfer, vary, amend or discharge any relevant Project Document; (ii) assign, novate or transfer any relevant Project Document; (iii) vary, amend, modify or waive any provision of any relevant Project Document (other than an amendment or variation to correct a manifest error which it has notified to the Issuer or of a value not exceeding £100,000 per annum (indexed)); (iv) permit any person to do any of the things specified in (i) – (iii) (inclusive); or (v) permit any person who has payment obligations under any relevant Project Document to be released from such obligations other than in accordance with the terms of the applicable relevant Project Document where such release does not require its consent;
- (r) notify the Issuer and Issuer Security Trustee if it must make a deduction or withholding of Tax under an On-Loan Agreement or a relevant AssetCo Hedge Agreement, or receives a payment which is subject to withholding tax;
- (s) maintain substantial and reputable insurance in respect of its Project Property;
- (t) keep in good and substantial repair and condition its Project Property with the terms of the relevant Project Documents and good industry practices;
- (u) observe and perform all its covenants and obligations as lessor or lessee under any lease, underlease, tenancy or agreement for lease or as grantor under or as party to any licence or contract affecting its Project Property and enforce the due observance and performance of all obligations thereunder in relation to its Project Document constituting a Lease or relating to the ownership, management or marketing any part of its Project Property; diligently collect all rent and other sums due to it thereunder; use its best endeavours to enforce the counterparty(ies) obligations thereunder and duly and diligently implement the provisions of such Project Document; and duly and diligently implement any provisions contained in such Project

Document for the review of the rents (but not agree any change in rent without the prior written consent of the Issuer).

- (v) not, without the consent of the Issuer waive, release or vary any obligation under or the terms of any lease, underlease, tenancy, agreements for lease, licence or contract which is reasonably likely to adversely effect the interests of the Issuer or exercise any option or power to break, determine or extend the same; grant any new licence or new right to occupy any part of its Project Property (except for licences and lettings as permitted by the relevant Project Documents); consent to any assignment or underletting or change of use of its Project Property; waive, release or vary any tenant covenant; or exercise any option or power to break determine or extend any relevant Project Document, unless such action does not have an effect on the AssetCo's business which could reasonably be expected to have an impact with a value in excess of £50,000 per annum or together with any other such actions taken without consent of the Issuer which together do not have an effect on the AssetCo's business which could reasonably be expected to have an impact with a value in excess of £100,000 per annum (in each case indexed).
- (w) punctually pay or cause to be paid when due all existing and future rents, Taxes, fees, renewal fees, charges, assessments, impositions and outgoing whatsoever payable in respect of its Project Property;
- (x) not any time without the prior written consent of the Issuer effect, carry out or permit any demolition, reconstruction or rebuilding of or any structural alteration to or material change in the use of its Project Property; or sever, unfix or remove any of the fixtures which would be in breach of any of the relevant AssetCo Documents or have a Material Adverse Effect;
- (y) comply with all Environmental Law and obtain and maintain any Environmental Permits required and take all reasonable steps in anticipation of known or expected future changes to or obligations under the same, breach of which (or failure to obtain, maintain or take which) might reasonably be expected to have a Material Adverse Effect and disclose full details to the Issuer in writing as soon as it becomes aware of any Environmental Claim or any facts or circumstances which shall or are reasonably likely to result in any Environmental Claim being commenced or threatened and reasonably likely, if determined against it, to have a Material Adverse Effect;
- (z) on the instruction of the Issuer or ParentCo carry out a review of each Relevant Property in accordance with terms equivalent to those described under "*Issuer Transaction Documents – Monitoring Services Agreement – Sinking Fund Review*";
- (aa) shall ensure that the claims of the AssetCo Secured Creditors against it under the relevant AssetCo Documents (subject to the Reservations) to the extent that they are secured pursuant to the AssetCo Security Documents will rank prior to the claims of all its other unsecured and unsubordinated creditors save for those whose claims are preferred solely by any law whether under bankruptcy, insolvency, liquidation or other similar laws of general application; and
- (bb) shall ensure that its unsecured and unsubordinated payment obligations under each of the relevant AssetCo Documents at all times rank at least pari passu with all its present and future unsecured unsubordinated payment obligations, except for obligations mandatorily preferred by law applying to companies generally in its jurisdiction of incorporation or any other jurisdiction where it carries on business.

Each AssetCo further covenants with the Issuer and AssetCo Security Trustee that it shall not until after the Final Discharge Date, save with the prior written consent of the Issuer:

- (a) enter into any documents other than the relevant AssetCo Documents or in the case of UPP (Alcuin) Limited, UPP (Plymouth Three) Limited or UPP (Nottingham) Limited, a written resolution of a Subsidiary of such AssetCo approving the terms of a capital reduction to be carried out by such Subsidiary; or normal business undertakings on an arms length basis to carry on the relevant Project in line with the relevant Operating Budget **provided that** the same is capable of being assigned in favour of the AssetCo Secured Creditors (**provided that** contracts entered into with employees or directors or which do not relate to income from the relevant Project are not required to be so assigned);

- (b) sell, convey, transfer, lease, factor assign or otherwise dispose of any of its properties, assets or undertaking or grant any option or right to acquire the same other than Permitted Disposals;
- (c) grant, create or permit to exist any encumbrance over any of its assets other than Permitted Security Interests;
- (d) incur or permit to subsist any indebtedness whatsoever other than Permitted Financial Indebtedness;
- (e) make any loans, grant any credit or give any guarantee, indemnity or other assurance against loss to or for the benefit of any person or otherwise voluntarily assume any liability, whether actual or contingent, in respect of any obligation of any other person other than Permitted Loans or Permitted Guarantees;
- (f) consolidate or merge with any other person or acquire any shares, stock or other securities or other interest in any other person;
- (g) acquire any leasehold, freehold or heritable property or any other assets other than a Permitted Acquisition;
- (h) carry on any foreign exchange transactions or enter into any currency or interest swap agreements or any other derivative or analogous transactions (other than the relevant AssetCo Hedge Agreements);
- (i) reduce, cancel, repay, purchase or redeem any share capital;
- (j) incur any capital expenditure except to the extent it is required so to do pursuant to the terms of the Project Documents in accordance with the agreed relevant Operating Budget and as envisaged in the relevant Sinking Fund Works Programme;
- (k) amend, supplement or otherwise modify its constitutional documents other than amendments for the purposes of complying with any law where such changes do not adversely impact on the interests of the AssetCo Secured Creditors;
- (l) terminate the appointment of the FM Provider unless a replacement provider has been appointed whose identity and terms of appointment are acceptable to the Issuer;
- (m) enter into any other development projects;
- (n) permit the validity or effectiveness of the relevant AssetCo Security Documents or of the relevant AssetCo Security to be impaired or to be amended, hypothecated, subordinated, terminated or discharged;
- (o) carry on or transact any business other than Permitted Business;
- (p) enter into any partnership joint venture or profit sharing arrangement other than under the relevant AssetCo Documents;
- (q) own any asset or incur any Liabilities except as permitted under the relevant AssetCo Documents other than any of the same not exceeding a value of £100,000 per annum (indexed), without double counting any amounts permitted pursuant to "*Description of the Issuer Transaction Documents – Common Terms Agreement – AssetCo Covenants – Paragraph (q)(iii)*" above;
- (r) suspend, abandon or cease to carry on its business; or
- (s) agree to any Variation (as defined in the relevant FM Services Contract on the Initial Signing Date) without the prior consent of the Issuer unless all such Variations have an aggregate cost of less than £100,000 per annum (indexed).

### *Information Covenants*

Certain information covenants are entered into, amongst others, such that:

- (a) the Group Agent must supply to the Issuer, the Cash Administrator and the Issuer Security Trustee:
  - (i) audited Financial Statements of HoldCo and ParentCo and (ii) consolidated audited Financial Statements of the Group (including the Issuer) prepared as if they constituted a statutory group for consolidation purposes, and in each case related auditors' opinion within 120 days after the end of the preceding Financial Year (such Financial Statements to comprise profit and loss account, balance sheet and cashflow statement); and
  - (ii) unaudited Financial Statements of HoldCo and ParentCo and (ii) consolidated, unaudited Financial Statements of the Group (including the Issuer) prepared as if they constituted a statutory group for consolidation purposes, in each case for the first financial half year in each Financial Year within 60 days after each Test Date (such Financial Statements to comprise profit and loss account, balance sheet and cashflow statement for such financial half year),

and shall cause to be prepared in respect of each of its Financial Years, Financial Statements in such form as will comply with the requirements for the time being of the Companies Act.

- (b) The Group Agent and the Issuer must hold annually an investor meeting or conference call presentation made by the Group Agent and the Issuer.
- (c) The Group Agent must publish on its Investor Website an annual investor report (the "**Investor Report**") within 120 days of its Financial Year end.
- (d) The Group Agent must supply to each Trustee, the Issuer and each Rating Agency that has been engaged to provide a credit rating for any Securities, a Compliance Certificate with the Financial Statements noted above. Such Compliance Certificate shall be accompanied by a confirmation as more particularly described below.
- (e) Each Investor Report must include:
  - (i) the Historic AssetCo DSCR, Projected AssetCo DSCR, Historic Senior DSCR and in the case of Initial Test Date only, the Initial Senior DSCR and calculations thereof in reasonable detail;
  - (ii) a general update of the following including narrative and details of any key changes:
    - (A) general overview;
    - (B) business developments and performance evaluation;
    - (C) current hedging position; and
  - (iii) confirmation of the amount of any Distributions made since the date of the previous Investor Report;
  - (iv) confirmation that:
    - (1) the Investor Report is accurate in all material respects;
    - (2) no Default, Senior DSCR Enforcement Event, Lock-Up Event or Monitoring Trigger Event has occurred and is continuing, or if a Default, Senior DSCR Enforcement Event, Lock-Up Event or Monitoring Trigger Event has occurred and is continuing, steps (which shall be specified) are being taken to remedy such Default, Senior DSCR Enforcement Event, Lock-Up Event or Monitoring Trigger Event as applicable; and

- (3) the Group is in compliance with the Hedging Policy.
- (f) Each Obligor must ensure that all forward looking financial ratio calculations and projections made by such Obligor for the purpose of making the confirmation in Paragraph (e)(i) above are made on the basis of assumptions made in good faith and arrived at after due and careful consideration are consistent and updated by reference to the most recently available financial information required to be produced by each Obligor and are consistent with the Accounting Standards (insofar as such Accounting Standards reasonably apply to such calculations and projections).
- (g) The Group Agent must ensure the Financial Statements it provides are prepared in accordance with the Accounting Standards and include a cashflow statement, a profit and loss statement and a balance sheet and give a true and fair view of or, in the case of any unaudited Financial Statement, fairly presents its financial condition (consolidated or otherwise) as at the date to which those Financial Statements were drawn up and of the results of its operations during such period.
- (h) The Issuer and the Group Agent shall ensure that the Base Prospectus is updated as required under applicable laws or market practice before the Issuer seeks to issue any further series or tranches of Notes after the validity period following the filing of the latest update (or, if none, the original filing of the Base Prospectus) has expired.
- (i) The Group Agent (on behalf of each Obligor) must supply to the Issuer and the Issuer Security Trustee:
- (i) details of any communication, enquiry, investigation or proceeding with, from or involving a Governmental Authority which may have a Material Adverse Effect;
  - (ii) such material information (including hedging information) about the business and financial condition of the Group (including the Issuer) or any AssetCo requested by the Issuer or the Issuer Security Trustee; and
  - (iii) any information required to be provided to the Monitoring Adviser in connection with its services under the Monitoring Services Agreement and if at any time such appointment has been terminated (and no replacement found) information as would have been provided to the Monitoring Adviser shall be provided to the Issuer and the Issuer Security Trustee.
- (j) The Obligors must supply to the Issuer and Issuer Security Trustee the following:
- (i) promptly upon becoming aware of such event, details of:
    - (A) any litigation, arbitration, administrative proceedings, statutory notice (including any announcement or prohibition notice), claim, or other proceedings ("**General Proceedings**") which are current, threatened in writing or pending against any member of the Group where such proceedings, have been or there is a reasonable likelihood that they will be adversely determined and which if adversely determined would have or could reasonably be expected to have a Material Adverse Effect; and
    - (B) any General Proceedings which had not previously been considered would have a Material Adverse Effect if at any time the circumstances of the Proceedings change such that they would have or could reasonably be expected to have a Material Adverse Effect and set-out the action to be taken with respect to such matters;
  - (ii) promptly upon becoming aware of them, details concerning any Issuer Obligor and/or any debt obligations of such Issuer Obligor being placed on credit watch with negative implications;

- (iii) information relating to any material insurance claim, vitiation of insurances or non-maintenance of required insurances which could have a Material Adverse Effect; and
  - (iv) as soon as reasonably practicable upon becoming aware of such event, details of any non compliance with any judgment, law, regulation order or decree applicable to any Obligor which would, if enforced, have or could reasonably be expected to have a Material Adverse Effect.
- (k) Unless the Issuer Security Trustee has already been so notified by another Obligor, each Obligor (or the Group Agent on its behalf) must notify the Issuer and the Issuer Security Trustee of any Default, Senior DSCR Enforcement Event, Lock-Up Event or Monitoring Trigger Event (and, in each case, the steps, if any, being taken to remedy it) promptly upon becoming aware of its occurrence.
- (l) Promptly following any reasonable request by the Issuer, the Issuer Security Trustee, the Group Agent must supply to the Issuer Security Trustee a certificate, signed by its Authorised Signatories, certifying that no Default, Senior DSCR Enforcement Event, Lock-Up Event or Monitoring Trigger Event is outstanding of which it is aware, having made all reasonable enquiries or, if a Default, Senior DSCR Enforcement Event, Lock-Up Event or Monitoring Trigger Event is outstanding, specifying the Default, Senior DSCR Enforcement Event, Lock-Up Event or Monitoring Trigger Event and the steps, if any, being taken or proposed to be taken to remedy it.
- (m) On the occurrence of a Senior DSCR Enforcement Event, the Group Agent shall provide a notice of such event (a "**Senior DSCR Enforcement Notice**") to the Issuer Security Trustee, the Cash Administrator and the Monitoring Adviser.
- (n) the Obligors shall in each Compliance Certificate, confirm that each of the Historic AssetCo DSCR, Projected AssetCo DSCR, Historic Senior DSCR, Projected Senior DSCR and (in the case of the Initial Test Date only) the Initial Senior DSCR has been calculated, specify the results of such calculations and provide a copy of the computations made in respect of the calculation of such ratios and confirm in each Investor Report, specifying the results of such calculations and provide a copy of the computations made in respect of the calculation of such ratios in reasonable detail and the Group Agent shall publish such Compliance Certificate on the Investor Website within 60 days of the relevant Test Date. The historic ratios shall be calculated using the relevant audited Financial Statements (or unaudited Financial Statements or management accounts if audited Financial Statements are not available on such date) delivered together with the relevant Compliance Certificate, and (in the case of forward looking ratios) are (i) made on the basis of assumptions made in good faith and arrived at after due and careful consideration, (ii) consistent and updated by reference to the most recently available financial information required to be produced by each Obligor as part of its Information Covenant obligations, and (iii) consistent with the Accounting Standards (insofar as such Accounting Standards reasonably apply to such calculations and projections).

***Monitoring Trigger Events and Lock-up Events***

The Common Terms Agreement will also set out certain Monitoring Trigger Events and Lock-up Events. The specific Monitoring Trigger Events and Lock-up Events and the consequences which flow from the occurrence of those events are set out below.

- (a) A Monitoring Trigger Event will occur where:
- (A) an Historic AssetCo DSCR or Projected AssetCo DSCR is less than 1.15:1 on any Test Date but the Historic Senior DSCR and Projected Senior DSCR is greater than 1.15:1 on that Test Date ("**Trigger Level 1, Phase 1**");
  - (B) an Historic AssetCo DSCR or Projected AssetCo DSCR is less than 1.15:1 on any Test Date and the Historic Senior DSCR or Projected Senior DSCR is less than 1.15:1 on that Test Date ("**Trigger Level 1, Phase 2**");

- (C) an Historic AssetCo DSCR or Projected AssetCo DSCR is less than 1.05:1 on any Test Date but the Historic Senior DSCR and Projected Senior DSCR is greater than 1.15:1 on that Test Date (" **Trigger Level 2, Phase 1**"); or
- (D) an Historic AssetCo DSCR or Projected AssetCo DSCR is less than 1.05:1 on any Test Date and the Historic Senior DSCR or Projected Senior DSCR is less than 1.15:1 on that Test Date (" **Trigger Level 2, Phase 2**") or (i) an AssetCo Event of Default has occurred and is continuing; or (ii) where the Performance Objectives (as defined below under the section entitled "*Description of Issuer Transaction Documents – Monitoring Agency Agreement – Monitoring under Stress Conditions – Trigger Level 2, Phase 1*") are not being met or the proposed remedial plan in respect of the Performance Objectives do not have the effect of increasing the Historic AssetCo DSCR and Projected AssetCo DSCR for the relevant AssetCo above 1.05:1 within the suggested period or, if shorter, a 3 year period.

Following the occurrence of any Monitoring Trigger Event (unless remedied as below) the Obligors shall be subject to the additional monitoring and reporting obligations as set out in the section entitled "*Issuer Transaction Documents – Monitoring Services Agreements - Monitoring under Stress Conditions*". Following the remedy of a Monitoring Trigger Event, the Group Agent must supply the Issuer Security Trustee with a certificate to that effect. A Monitoring Trigger Event Remedy will occur:

**Trigger Level 1, Phase 1**

- (A) If, on two consecutive Test Dates, each of the Historic AssetCo DSCR and Projected AssetCo DSCR is equal to or greater than 1.15:1, and the Historic Senior DSCR and Projected Senior DSCR is greater than 1.15:1.

**Trigger Level 1, Phase 2**

- (B) If, on two consecutive Test Dates each of the Historic Senior DSCR and Projected Senior DSCR is equal to or greater than 1.15:1 and each of the Historic AssetCo DSCR and Projected AssetCo DSCR is greater than 1.05:1.

**Trigger Level 2, Phase 1**

- (C) If, on two consecutive Test Dates, each of the Historic AssetCo DSCR and Projected AssetCo DSCR is equal to or greater than 1.05:1 and the Historic Senior DSCR and Projected Senior DSCR is greater than 1.15:1.

**Trigger Level 2, Phase 2**

- (D) If, on two consecutive Test Dates, either an Historic AssetCo DSCR or a Projected AssetCo DSCR is less than 1.05:1 but the Historic Senior DSCR and Projected Senior DSCR is equal to or greater than 1.15:1.

For the avoidance of doubt a Monitoring Trigger Event shall continue unless and until a Trigger Level 1, Phase 1 Monitoring Trigger Event (Phase 1) has been remedied.

- (b) A Lock-Up Event will occur where:
  - (A) the Historic Senior DSCR or the Projected Senior DSCR is in each case less than 1.15:1 for the Test Period;
  - (B) one or more of the following reserves not being funded to their required levels: the Debt Service Reserve Account, each Sinking Fund Account and the Repayment Account; and
  - (C) the FM Provider being affected by an Insolvency Event or being in breach of its material obligations under its facility management agreements with the AssetCos and not being replaced by a suitable replacement facilities management provider or the default being cured or waived by the Issuer Security Trustee within 90 days of the Issuer becoming aware of the same; or



- (D) an Issuer Event of Default or a Senior DSCR Enforcement Event.

Upon the occurrence of a Lock-up Event and for so long as such Lock-Up Event is continuing, no Distributions other than Permitted Payments may be made by any member of the Group to any person that is not an Obligor.

### ***Events of Default***

The Common Terms Agreement will contain the following Events of Default:

#### ***Issuer Events of Default***

- (a) Default is made by the Issuer for a period of 5 Business Days in the payment of interest or principal on any Securities when due in accordance with the Conditions or the terms of the Private Placement Note Documents as the case may be;
- (b) a default is made by any Issuer Obligor in the performance or observance of any other obligation (other than a non-payment referred to in paragraph (a) above), condition, provision, representation or warranty binding upon or made by it under the Securities or Issuer Transaction Documents, and except where in the opinion of the Issuer Security Trustee such default is not capable of remedy, such default continues for a period of 30 Business Days following the service of notice of default;
- (c) Default is made by the Issuer in the payment of any amount due under any Hedge Agreement, subject to any applicable grace period under the terms of the relevant Hedge Agreement;
- (d) an Insolvency Event occurs in relation to any Issuer Obligor;
- (e) it is or will become unlawful for any Issuer Obligor to perform or comply with any of its obligations under or respect of the Securities or the Transaction Documents;
- (f) any Issuer Obligor repudiates its payment obligations under the Securities or any Transaction Document;
- (g) any Financial Indebtedness (other than the Securities or in respect of any Hedge Agreement) of any Issuer Obligor in aggregate in excess of £50,000 (indexed) is not paid when due (or within an applicable grace period) or is stated to be due and payable by reason of an event of default other than those amounts that it is contesting in good faith and by appropriate proceedings with adequate reserves established for such amounts;
- (h) any expropriation, attachment, sequestration, execution, distress or analogous event on the property, undertakings or assets of any Issuer Obligor is not discharged within 30 days;
- (i) a Governmental Authority takes steps that are reasonably likely to result in the seizure, expropriation, nationalisation or acquisition of the property, undertakings or assets of any Issuer Obligor;
- (j) any litigation is started against any Issuer Obligor or its assets or revenue which would be reasonably likely to be adversely determined and which, if so adversely determined, would have a Material Adverse Effect;
- (k) the Issuer Obligor Security ceases to be in full force and effect, or ceases to be a first ranking Security or becomes unenforceable;
- (l) the occurrence of a change in the ownership of any Issuer (other than HoldCo) other than as permitted by the Issuer Transaction Documents; or
- (m) an adverse modification or withdrawal of any consents, licenses, authorisations and approvals required by the Issuer to enable the consummation of the transactions constituted by the Transaction Documents which has a Material Adverse Effect.

*AssetCo Events of Default:*

The Common Terms Agreement contains certain AssetCo Events of Default in relation to the relevant AssetCo, including:

- (a) Default is made by it for a period of 5 Business Days in the payment of interest or principal under a relevant AssetCo Document (other than a relevant Project Document) when due.
- (b) Default is made in the performance or observance of any obligation, condition, provision, representation or warranty binding upon or made by it under a relevant AssetCo Document (other than a relevant Project Document) (other than a non-payment under paragraph (a) above), and except where in the opinion of the Issuer such default is not capable of remedy, such default continues for a period of 15 Business Days following the service of a notice of default or of it becoming aware of such default.
- (c) An Insolvency Event occurs in relation to it.
- (d) It is or will become unlawful for it to perform or comply with any of its obligations under the relevant AssetCo Documents where such failure to perform or comply will individually or cumulatively have or be reasonably likely to have a Material Adverse Effect.
- (e) It repudiates, rescinds or purports to repudiate or rescind a relevant AssetCo Document.
- (f) Any of its indebtedness other than under a relevant AssetCo Document in aggregate in excess of £50,000 (indexed) is:
  - (i) not paid when due (or within an applicable grace period); or
  - (ii) is stated to be due and payable by reason of an event of default (howsoever described); or
  - (iii) in respect of any commitment for such indebtedness is cancelled or suspended by a creditor by reason of an event of default (howsoever described); or
  - (iv) subject to an entitlement of any creditor to declare such indebtedness due and payable prior to its specified maturity,other than those amounts that it is contesting in good faith and by appropriate proceedings with adequate reserves established for such amounts.
- (g) Any expropriation, attachment, sequestration, execution, distress or analogous event on its property, undertakings or assets which is not discharged or stayed within 30 days.
- (h) Any of the events set out in relation to AssetCo in Paragraphs (c), (e), (g) or (j) relate to a Material Entity (as if references in those Paragraphs were to the Material Entity in place of it) and where in the case of Paragraph (g) the relevant Security secures Financial Indebtedness in excess of £200,000 or, in the case of the relevant University, £10,000,000 in either case indexed and any such event under Paragraphs (c), (e), (g) or (j) would have or be likely to have a Material Adverse Effect.
- (i) Any of the events set out in relation to it in paragraph (f) above occurs in relation to any Material Entity other than that AssetCo save that the amounts applicable to the Material Entities shall be in excess of £200,000 (or, in the case of the relevant University, £10,000,000) in either case indexed.
- (j) A Governmental Authority takes steps that are reasonably likely to result in the seizure, expropriation, nationalisation or acquisition of its property, undertakings or assets or its Project Property, seizes, expropriates, nationalises or acquires its property, undertakings or assets or its Project Property or all or a material part of the assets of the relevant Project are requisitioned.
- (k) Any litigation, arbitration, administrative, governmental, regulatory or other investigations, proceedings or disputes are started or threatened against it to restrain the entry into, or the

exercise of and/or the performance of or enforcement of or compliance with any of its obligations under the relevant AssetCo Documents which, in each case, is reasonably likely to be adversely determined and which, if so adversely determined, would have a Material Adverse Effect.

- (l) The AssetCo Security granted by it ceases to be in full force and effect or becomes unenforceable.
- (m) It ceases to be wholly legally and beneficially owned by ParentCo other than in respect of UPP (Broadgate Park) Limited which ceases to be wholly legally and beneficially owned by UPP Broadgate Park.
- (n) An adverse modification or withdrawal of any consents, licenses, authorisations and approvals required by it to enable the consummation of the transactions constituted by the relevant AssetCo Documents and, where such consent, licence, authorisation or approval is not replaced, such absence could reasonably be expected to have a Material Adverse Effect.
- (o) There is an event of default (howsoever called) under any relevant Project Document or a breach under any relevant Project Document in each case which has or is likely to have a Material Adverse Effect.
- (p) The operation of its Project in relation to its Project Property is suspended for a period of more than 45 days (other than for scheduled maintenance or a Force Majeure event (as such term is defined in or contemplated by any relevant Project Document) and has a Material Adverse Effect.
- (q) Its Project Property is lost, damaged or destroyed in whole or any material part and the relevant University is entitled to terminate the relevant Project.
- (r) The relevant University breaches any of its obligations under the relevant University Direct Agreement and such breach materially adversely prejudices or could reasonably be expected to materially adversely prejudice (as determined by the Issuer, acting reasonably) the interests of the AssetCo Secured Creditors or any of its obligations under any other relevant Project Document where as a result of such breach it is entitled to terminate any of the relevant Project Documents (other than any FM Services Contract).
- (s) On any Interest Payment Date, its Sinking Fund Account does not contain the Required Sinking Fund Required Amount.
- (t) Its audited accounts are qualified.
- (u) It ceases to have any easement, wayleave or right of access necessary to operate the relevant Project in accordance with the relevant Project Documents, unless the absence of that easement, wayleave or right of access could not reasonably be expected to have a Material Adverse Effect. Material Entity shall mean each of the relevant University and the FM Provider (and shall also include their permitted replacements, successors and assigns).
- (v) Following the occurrence of a Senior DSCR Enforcement Event, in respect of an AssetCo, the Historic AssetCo DSCR is less than 1.05:1 as at any Test Date or if, in respect of an AssetCo, the Projected AssetCo DSCR is less than 1.05:1 as at any Test Date.

#### ***Senior DSCR Enforcement Event***

A Senior DSCR Enforcement Event occurs if the Historic Senior DSCR or Projected Senior DSCR is less than 1.05:1 on any Test Date in respect of a Test Period. For further information on the consequences of a Senior DSCR Enforcement Event, see the section entitled "*Summary of Security and Enforcement Rights*".

#### ***Additional Indebtedness Conditions***

- (a) The Common Terms Agreement contains certain other criteria the Issuer must meet before the issue of any further Securities for the purposes of funding an On-Loan to the relevant AssetCo. As of the date of the proposed issuance of the Securities to fund on-loans to the Relevant AssetCo the Issuer must supply a certificate to the Issuer Security Trustee stating that:
- (A) no Issuer Event of Default is subsisting or would occur as a result of the issue of such further Securities;
  - (B) no Lock-Up Event is subsisting or would occur as a result of the issue of such further Securities;
  - (C) no AssetCo Event of Default is subsisting in respect of any AssetCo under its On-Loan Agreement;
  - (D) the further Securities and existing Securities will be hedged in compliance with the Hedging Policy;
  - (E) the Projected Senior DSCR shall not be less than 1.30:1 and the Projected Relevant AssetCo DSCR for the Relevant AssetCo shall not be less than 1.25:1, taking into account, without double counting, the issue of such further Securities and the corresponding on-loans and the projected cashflows arising from the New Asset(s) to be added by the Relevant AssetCo as security for the liabilities of the Relevant AssetCo, in respect of each Test Period starting on the Test Date immediately following the date in which the further Securities are to be issued until the Final Test Date;
  - (F) the Consolidated Debt Life Coverage Ratio is no less than 1.60:1 and the Relevant AssetCo Debt Life Coverage Ratio in respect of the Relevant AssetCo is no less than 1.50:1 (in each case assuming that the further Securities had been issued and advanced by way of On-Loans to the Relevant AssetCo(s) as at the next following Test Date);
  - (G) the Issuer has provided details of such proposed issuance of Securities to the Rating Agencies mandated by the Issuer from time to time to provide public long-term credit ratings and those Rating Agencies have either (i) provided written confirmation stating that or (ii) otherwise indicated in writing that, the then long-term credit rating on any rated Securities would not, as a consequence of the incurrence of such Financial Indebtedness pursuant to the proposed issuance of the Securities, be reduced below the lower of: (xx) the long-term credit rating of the Notes on the Initial Issue Date; and (yy) the then current long-term credit rating of the then highest rated Securities (before the issue of such further Securities) **provided that** the minimum rating following the Issuance of such further Securities must be no lower than BBB by S&P and Baa2 by Moody's or any equivalent rating by any Rating Agency then rating the Securities;
  - (H) each of the Asset Tests has been satisfied; and
  - (I) the Relevant AssetCo is a Subsidiary of ParentCo.
- (b) the Issuer must provide to each Security Trustee:
- (A) satisfactory legal opinions (including as to Tax matters, if applicable);
  - (B) evidence of Security in favour of the AssetCo Security Trustee by way of a debenture over the New Asset and Security in favour of the Issuer Security Trustee over the shares in the Relevant AssetCo;
  - (C) a Direct Agreement between the Relevant AssetCos, the applicable University and the AssetCo Security Trustee;
  - (D) evidence that the New Asset is subject to a management services agreement to which the AssetCo Management Services Provider and the Relevant AssetCo is a party;

- (E) (if applicable) accession by the Relevant AssetCo as an Obligor to the Transaction Documents (including the Cash Administration Agreement, the Account Bank Agreement, the Tax Deed of Covenant and the AssetCo Guarantee), and
  - (F) an updated HoldCo Group Structure Chart.
- (c) Asset Tests require that any new University asset ("**New Asset**"), funded through a further note issuance by the Issuer and associated on-loan to an AssetCo, satisfies all of the following criteria:
- (A) the New Asset comprises university accommodation at: (i) Nottingham Trent University, University of Nottingham, Oxford Brookes University, University of Plymouth, University of Kent or University of York; or (ii) a member of the Russell Group or the 1994 Group of Universities or successor organisations;
  - (B) credit and void risk in respect of occupancy for each academic year for which a student enters into a tenancy or similar student residence agreement with the University to which the New Asset relates is borne by the applicable University;
  - (C) the New Asset is subject to marketing and room allocation arrangements with the applicable University that are no less favourable to the AssetCo when compared to marketing and room allocation arrangements that the University has with respect to other existing university accommodation;
  - (D) following the acquisition of the New Asset, no one AssetCo would represent greater than 40 per cent. of all AssetCos by reference to the proportion that the outstanding principal amount of the On-Loan corresponding to such AssetCo bears to the outstanding principal amount of all On-Loans to all AssetCos;
  - (E) the New Asset being introduced to the portfolio has demonstrated historic occupancy levels, over at least 1 academic year prior to the date of acquisition of least 97 per cent. unless otherwise agreed by the Issuer Security Trustee; and
  - (F) title to the New Asset acquired by the AssetCo is freehold or long-leasehold with an unexpired term of not less than 3 years following the Final Test Date of the On-Loan to be advanced to the Relevant AssetCo to fund the acquisition of the New Asset.

### ***Hedging Policy***

The Common Terms Agreement will contain the Hedging Policy, which sets out the basis on which the Issuer and AssetCos can hedge certain risks.

The Hedging Policy will apply to the Issuer and the AssetCos. Any changes to the Hedging Policy will be subject to the approval of each Hedge Counterparty, the Issuer and the Issuer Security Trustee in accordance with the terms of the Issuer Deed of Charge and will in all other respects be in accordance with the terms of the Issuer Deed of Charge. Subject to such approvals, the Hedging Policy will be reviewed from time to time by the Issuer and the AssetCos and may be amended as appropriate in line with market practice, regulatory developments and good industry practice. Subject to the above approvals and the terms of paragraph 8(b) (*Principles relating to termination*) below, no amendment, waiver, modification or termination (in whole or part) of any Treasury Transaction or Hedge Agreement by the Issuer and/or an AssetCo will require the consent of any party other than the parties to that Treasury Transaction or Hedge Agreement, *provided that*, the Issuer or the relevant AssetCo (as applicable) will ensure that such amendment, waiver, modification or termination (as the case may be) does not result in (A) that AssetCo or the Issuer breaching the Hedging Policy; or (B) any breach of the Issuer Deed of Charge or the Common Terms Agreement.

The purpose of the Hedging Policy is to require that the Issuer and/or the AssetCos prudently manage the risks associated with exposure to fluctuations in interest rates, currencies and inflation, in each case, to which the Issuer and/or an AssetCo (as relevant) has actual exposure arising in relation to the Issuer Obligor Secured Liabilities or AssetCo Secured Liabilities, as applicable.

The hedging described above will be subject to the following principles:

1. **Issuer Hedging**

The Issuer may enter into Treasury Transactions to manage risk inherent in the Group's business or funding on a prudent basis and which may include any pre-hedging but may not enter into Treasury Transactions for the purpose of speculation. The Issuer may only enter into Index-Linked Hedging Transactions which are Revenue Swaps. For the avoidance of doubt, the Issuer may not enter into Index-Linked Hedging Transactions under which payments are calculated only by reference to the outstanding principal amount of any Securities.

Subject to paragraph 6 (*Principles relating to Hedge Counterparties*) below, Treasury Transactions may be entered into with one or more Hedge Counterparties. The Confirmation in respect of each Hedging Transaction shall specify which On-Loan is the Related On-Loan and which AssetCo Hedging Transaction is the Related AssetCo Hedging Transaction in respect of that Hedging Transaction (as notified by the Issuer to the relevant Hedge Counterparties).

Revenue Swaps may be Super Senior Hedging Transactions or Pari Passu Hedging Transactions, as designated in the Confirmation for the relevant Hedging Transaction, *provided that*, in respect of any Hedging Transactions entered into after the Initial Issue Date, no Super Senior Hedging Transactions may be entered into by the Issuer at any time when the Risk Weighted Notional Amount is equal to, or greater than, 20 per cent. of the sum of (i) the outstanding Qualifying Issuer Senior Debt and (ii) the amount (if any) of any proposed increase in Qualifying Issuer Senior Debt which will occur at the same time as any proposed Super Senior Hedging Transaction is entered into.

Any Hedging Transactions which are not Revenue Swaps may only be entered into as Pari Passu Hedging Transactions.

2. **AssetCo Hedging**

Each AssetCo and the Issuer will enter into, and shall at all times maintain, AssetCo Hedging Transactions to hedge any payments to be made by the AssetCo pursuant to any On-Loan made to that AssetCo by the Issuer such that, on an aggregate basis across all AssetCos, the aggregate of the rights and obligations of the AssetCos under the AssetCo Hedging Transactions shall correspond to the aggregate of the rights and obligations of the Issuer under the Hedging Transactions. Each AssetCo Hedging Transaction shall specify in the Confirmation the Hedging Transaction in respect of which it is a Related AssetCo Hedging Transaction.

3. **Currency Risk Principles**

Neither the Issuer nor any AssetCo may, in respect of Issuer Obligor Secured Liabilities or AssetCo Secured Liabilities, as applicable, bear unhedged currency risk in respect of the interest payable to expected maturity and the repayment of principal under any foreign currency denominated debt instruments (subject to foreign currency roundings).

4. **Interest Rate Risk Principles**

The Issuer will ensure that at any time:

- (a) a minimum of 80 per cent. of the total outstanding Securities (i) is fixed rate, (ii) is index-linked or (iii) from the Issuer's perspective are effectively fixed rate (or maximum fixed rate) obligations due to the entry into Interest Rate Hedging Transactions or Currency Hedging Transactions for a period of at least the shorter of (x) the term of the Issuer Obligor Secured Liabilities and (y) 10 years (the "**Minimum Hedging Requirement**");
- (b) no more than 100 per cent. of the total outstanding Securities (i) is fixed rate, (ii) is index-linked or (iii) from the Issuer's perspective are effectively fixed rate (or maximum fixed rate) obligations due to the entry into Interest Rate Hedging Transactions or Currency Hedging Transactions (the "**Maximum Hedging Requirement**"); and

- (c) the aggregate of the fixed nominal amount received of any Revenue Swaps in respect of each future payment date is no more than 100 per cent of the debt service obligations of the Issuer in respect of the total outstanding Notes which are not Indexed Notes on that future payment date.

For the purposes of determining whether or not the Issuer has complied with the Minimum Hedging Requirement and/or the Maximum Hedging Requirement, in the case of a Currency Hedging Transaction, the notional amount of such Currency Hedging Transaction shall be determined by reference to the payments denominated in GBP.

If any AssetCo intends or is required pursuant to the terms of the Transaction Documents to pre-pay any On-Loan in whole or part, the relevant AssetCo must give notice to the Issuer and to each Hedge Counterparty which is a party to any Hedging Transaction in respect of which that On-Loan is a Related On-Loan (each such Hedging Transaction a "**Relevant Hedging Transaction**") not less than 2 Business Days prior to the date of such pre-payment and:

- (a) the relevant Hedge Counterparty will have the right to terminate or reduce the notional amount of each such Relevant Hedging Transaction for each future payment date pursuant to the terms of the relevant Issuer Hedge Agreement by the Applicable Reduction Proportion in respect of such future payment date (notwithstanding the delivery or lack thereof of the notice); and
- (b) the Issuer will terminate or reduce the notional amount of the Related AssetCo Hedging Transactions for each future payment date pursuant to the terms of the Related AssetCo Hedging Transactions by the Applicable Reduction Proportion in respect of such future payment date (notwithstanding the delivery or lack thereof of the notice).

#### 5. **AssetCo Overhedging Principles**

Following the termination or the reduction of the notional amount of any Hedging Transaction pursuant to paragraph 8(b) (*Principles relating to termination*) below, each AssetCo Hedging Transaction which is a Related AssetCo Hedging Transaction in respect of such Hedging Transaction shall also be terminated or reduced by the same proportion such that the aggregate reduction of the notional amounts of such Related AssetCo Hedging Transactions is equal to the reduction in the notional amount of the relevant Hedging Transaction.

#### 6. **Principles relating to Hedge Counterparties**

The Issuer may only enter into Hedging Transactions with counterparties whose long term, unsecured and unsubordinated debt obligations are, or are guaranteed by entities which are, (i) assigned ratings by each Rating Agency that are not less than the Requisite Swap Counterparty Rating and (ii) assigned a rating by each Rating Agency that is not less than the rating assigned by that Rating Agency lower of:

- (a) the rating assigned by that Rating Agency to the most senior class of Securities on or immediately after the Initial Issue Date; and
- (b) the rating assigned by that Rating Agency to the most senior class of outstanding Securities provided that, if the rating of the Securities has been reduced due to a Hedge Counterparty failing to comply with its obligations under paragraph 11 below, this will be deemed to be the rating assigned by that Rating Agency to those Securities immediately prior to such a reduction; and
- (c) either:
  - (i) banks or financial institutions incorporated in an OECD country which are regulated by an applicable financial regulator in that country ("**Regulated Counterparties**");

- (ii) Affiliates (as defined in the relevant ISDA Master Agreement) of Regulated Counterparties; or
- (iii) entities whose long term, unsecured and unsubordinated debt obligations are guaranteed by a Regulated Counterparty.

7. **Principles relating to Treasury Transactions**

All Treasury Transactions must be entered into (whether by way of novation or otherwise) in the form, as amended by the parties thereto, of the 1992 ISDA Master Agreement (Multicurrency – Cross Border) or the 2002 ISDA Master Agreement (each an "**ISDA Master Agreement**") unless otherwise agreed by the Issuer Security Trustee, in each case acting in accordance with the Issuer Deed of Charge. The corresponding AssetCo Hedge Agreements shall be entered into under substantially the same form of ISDA Master Agreement entered into by the Issuer.

8. **Principles relating to termination**

Notwithstanding any provision to the contrary in any Treasury Transaction or Hedge Agreement, the Issuer and each AssetCo (as the case may be) and each Hedge Counterparty will be required to agree that:

- (a) in respect of:
  - (i) a Hedge Agreement based on the 1992 ISDA Master Agreement, "**Market Quotation**" and payments under the "**Second Method**" shall apply and Section 6(e) (*Payments on Early Termination*) shall apply without material amendments; and
  - (ii) a Hedge Agreement based on the 2002 ISDA Master Agreement, Section 6(e) (*Payments on Early Termination*) shall apply without material amendments,
 

in the event of an early termination of a Treasury Transaction for whatever reason (other than where that termination occurs pursuant to terms mutually agreed between the parties to such Treasury Transaction) together with such amendments to those provisions as may be mutually agreed between the Issuer and the relevant Hedge Counterparty or an AssetCo (as applicable);
- (b) the Hedge Counterparty (in the case of Issuer Hedge Agreements) or the Issuer (in the case of AssetCo Hedge Agreements) may only designate an Early Termination Date (as defined in the ISDA Master Agreement) or otherwise terminate a Hedging Transaction or AssetCo Hedging Transaction (as applicable) if one or more of the following events has occurred and is continuing:
  - (i) with respect to AssetCo Hedge Agreements and AssetCo Hedging Transactions:
    - (A) a failure by the relevant AssetCo to make a payment or delivery under an AssetCo Hedging Transaction or AssetCo Hedge Agreement which has not been remedied on or before the later to occur of (1) the fifth Business Day after the due date for such payment or delivery and (2) the third Business Day after notice of such non-payment or non-delivery is given to the relevant AssetCo;
    - (B) an AssetCo Enforcement Notice has been delivered in relation to the relevant AssetCo and either:
      - (1) the relevant On-Loan Agreement has been accelerated; or
      - (2) the AssetCo Security Trustee has received security proceeds in relation to the enforcement of the AssetCo Security;



- (C) a Bankruptcy (as defined in the Hedge Agreement as amended by paragraph 8(d) (*Principles relating to termination*)) occurs in respect of the relevant AssetCo;
  - (D) Paragraph 5 (*AssetCo Overhedging Principles*) above applies; or
  - (E) the parties to an AssetCo Hedging Transaction mutually agree to terminate such Hedging Transaction early, provided that such early termination will not result in a breach of paragraph 2 (*AssetCo Hedging*) of the Hedging Policy;
- (ii) with respect to the Issuer Hedge Agreements and the Hedging Transactions:
- (A) a failure by the Issuer to make a payment or delivery under a Hedging Transaction or Issuer Hedge Agreement which has not been remedied on or before the later to occur of (1) the fifth Business Day after the due date for such payment or delivery and (2) the third Business Day after notice of such non-payment or non-delivery is given to the Issuer;
  - (B) an Issuer Enforcement Notice has been delivered;
  - (C) a Bankruptcy (as defined in the Hedge Agreement as amended by paragraph 8(d) (*Principles relating to termination*)) occurs in respect of the Issuer;
  - (D) any On-Loan Agreement has been prepaid, is accelerated or otherwise becomes prepayable in full or in part, in each case as a result of the occurrence of an AssetCo Default by the relevant AssetCo;
  - (E) any AssetCo Hedging Transaction has been terminated or novated to a third party;
  - (F) the Issuer receives any proceeds of enforcement of any AssetCo Security or Issuer Obligor Security, *provided that* in any such circumstances, the relevant Hedge Counterparty may only terminate Hedging Transactions to the extent that the amounts available for distribution to the Hedge Counterparties at such time or following such termination pursuant to the Issuer Priority of Payments (after taking into account any amounts which rank senior to or *pari passu* with such amounts payable to the Hedge Counterparties) are sufficient to pay the termination amounts payable as a result of such termination pursuant to the applicable Issuer Hedging Agreement and, if applicable, only to the extent of the notional amount of the relevant AssetCo Hedging Transaction;
  - (G) Paragraph 4 (*Interest Rate Risk Principles*) above applies; or
  - (H) the parties to a Hedging Transaction mutually agree to terminate such Hedging Transaction early, provided that such early termination will not result in a breach of the Hedging Policy;
- (iii) a Treasury Transaction is entered into which does not comply with the Hedging Policy, provided that the Hedge Counterparty may only designate an Early Termination Date in respect of the relevant Treasury Transaction and, for the avoidance of doubt, the Hedge Counterparty shall be entitled to receive payment of any termination amount in connection with that termination;
- (iv) an event outlined in Section 5(b)(i) (*Illegality*) of the relevant Hedge Agreement;

- (v) an event outlined in Section 5(b)(ii) (*Force Majeure Event*) of the relevant Hedge Agreement where such Hedge Agreement is based on a 2002 ISDA Master Agreement or a substantially similar event where such Hedge Agreement is based on a 1992 ISDA Master Agreement;
- (vi) an event outlined in:
  - (A) Section 5(b)(ii) (*Tax Event*) of the relevant Hedge Agreement, where such Hedge Agreement is based on a 1992 ISDA Master Agreement; and
  - (B) Section 5(b)(iii) (*Tax Event*) of the relevant Hedge Agreement, where such Hedge Agreement is based on a 2002 ISDA Master Agreement;
- (vii) an event outlined in:
  - (A) Section 5(b)(iii) (*Tax Event upon Merger*) of the relevant Hedge Agreement where such Hedge Agreement is based on a 1992 ISDA Master Agreement; and
  - (B) Section 5(b)(iv) (*Tax Event upon Merger*) of the relevant Hedge Agreement where such Hedge Agreement is based on a 2002 ISDA Master Agreement;
- (viii)
  - (A) the Issuer and/or all AssetCos give notice of their intention to repay or prepay the Issuer Obligor Secured Liabilities or the AssetCo Secured Liabilities, as applicable (other than the Hedging Liabilities) in full to the relevant creditors;
  - (B) the Hedge Counterparty becomes aware that the Issuer or (as applicable) all AssetCos have given notice of their intention to prepay or repay the Issuer Obligor Secured Liabilities or the AssetCo Secured Liabilities, as applicable (other than the Hedging Liabilities) in full to the relevant creditors; or
  - (C) the Issuer Obligor Secured Liabilities and AssetCo Secured Liabilities, as applicable (other than the Hedging Liabilities) are repaid or prepaid in full or become prepayable.
- (c) each AssetCo shall have a right to terminate any AssetCo Hedging Transaction if any representation as to the tax residency of the Issuer proves to have been incorrect or misleading in any material respect when made or deemed to be repeated by the Issuer; and
- (d) in respect of a Hedge Agreement based on the 1992 ISDA Master Agreement or the 2002 ISDA Master Agreement, Section 5 will be amended as follows:
  - (i) Section 5(a)(vii)(2), (7) and (9) will not apply in respect of the Issuer or AssetCo, as applicable;
  - (ii) Section 5(a)(vii)(3) will not apply in respect of the Issuer or AssetCo, as applicable, to the extent it refers to any assignment, arrangement or composition that is effected by or pursuant to the Transaction Documents;
  - (iii) Section 5(a)(vii)(4) will not apply in respect of the Issuer or AssetCo, as applicable, to the extent that it refers to actions taken by a Hedge Counterparty or any AssetCo or any of their Affiliates (as defined in the relevant ISDA

Master Agreement) (in the case of the Issuer) or the Issuer (in the case of the AssetCo);

- (iv) Section 5(a)(vii)(6) will not apply in respect of the Issuer or AssetCo, as applicable, to the extent that it refers to (i) any appointment effected by or pursuant to the Transaction Documents or (ii) any appointment that the Issuer or AssetCo, as applicable, has not become subject to; and
- (v) Section 5(a)(vii)(8) will not apply to the Issuer or AssetCo, as applicable, only to the extent that it applies to Section 5(a)(vii)(3), (4), and (6) as amended above.

Save as set out in the Hedging Policy, no Event of Default (as defined in the relevant ISDA Master Agreement) shall apply in relation to the Issuer or any AssetCo and no Termination Event (as defined in the relevant ISDA Master Agreement) in respect of which the Hedge Counterparty would have a right to terminate the relevant Treasury Transaction shall apply.

Each Hedge Counterparty will be required to acknowledge in the relevant Hedge Agreement that the relevant Issuer Hedge Agreement will be subject to the provisions of the Common Terms Agreement and the Issuer Deed of Charge and that all amounts payable or expressed to be payable by the Issuer under or in connection with such Issuer Hedge Agreement shall only be recoverable (and all rights of the relevant Hedge Counterparty under such Issuer Hedge Agreement shall only be exercisable) subject to and in accordance with the Issuer Deed of Charge or the Issuer Transaction Documents as applicable.

The Issuer will be required to acknowledge in each AssetCo Hedge Agreement that the relevant AssetCo Hedge Agreement will be subject to the provisions of the Common Terms Agreement and the AssetCo Security Documents and that all amounts payable or expressed to be payable by the AssetCo under or in connection with such AssetCo Hedge Agreement shall only be recoverable (and all rights of the Issuer under such AssetCo Hedge Agreement shall only be exercisable) subject to and in accordance with the AssetCo Security Documents.

To the extent not otherwise provided for:

- (a) Hedge Counterparties will be entitled to receive the same financial information and all notices as delivered to the Issuer Secured Creditors under the other Transaction Documents; and
- (b) the Issuer and the relevant AssetCo will make appropriate representations in each Hedge Agreement that each transaction subject to and forming part of such Hedge Agreement complies with the terms of the Hedging Policy and constitutes Permitted Financial Indebtedness.

## 9. Tax

An Obligor within the charge to UK corporation tax may only enter into Treasury Transactions with counterparties who are party to such transactions otherwise than as agent or nominee of another person and who either:

- (a) are resident for tax purposes in the United Kingdom;
- (b) hold the contract comprising the Treasury Transaction solely for the purposes of a trade or part of a trade carried on by it in the United Kingdom through a permanent establishment in respect of which it is chargeable to United Kingdom corporation tax; or
- (c) are resident for tax purposes in jurisdiction with which the United Kingdom has a double taxation convention which makes provision, whether for relief or otherwise, in relation to interest.

Each Hedge Counterparty and the Issuer or relevant AssetCo will be obliged to make payments under the Hedge Agreements without any withholding or deduction of Taxes, unless required by law.

If any such withholding or deduction is required by law to be made from any payment to be made by any AssetCo or Hedge Counterparty, the relevant party will be required to pay any such additional amount as is necessary to ensure that the net amount received by the other party will equal the full amount that such party would have received had no such deduction or withholding been required. Notwithstanding the foregoing, if any withholding or deduction is on account of FATCA Withholding Tax (as defined below), no additional amount will be payable. For the avoidance of doubt, the Issuer will not be required to gross-up any amount as a result of any withholding or deduction required to be made by it.

"**Tax**" as used in Part 2(a) of the Schedule (*Payer Tax Representation*) to each Hedge Agreement and "**Indemnifiable Tax**" as defined in Section 14 of each Hedge Agreement shall not include any U.S. federal withholding tax imposed or collected pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code (a "**FATCA Withholding Tax**"). For the avoidance of doubt, a FATCA Withholding Tax is a Tax the deduction or withholding of which is required by applicable law for the purposes of Section 2(d) of each Hedge Agreement.

#### 10. **Transfer of Hedge Agreement**

Each Hedge Counterparty may, in its absolute discretion and without the prior consent of the Issuer, transfer in whole or in part (hereafter, a "**Transfer**") each Issuer Hedge Agreement and each Hedging Transaction (to which it is a party as Hedge Counterparty) to any replacement Hedge Counterparty (the "**Transferee**"), provided that:

- (a) immediately prior to such Transfer no "Event of Default" or "Termination Event" (as defined in the relevant Hedge Agreement) is continuing in respect of the relevant Hedge Counterparty;
- (b) no "Event of Default" or "Termination Event" (as defined in the relevant Hedge Agreement) will occur as an immediate consequence of the Transfer;
- (c) the Transferee has the Requisite Swap Counterparty Rating or is guaranteed by an entity which has the Requisite Swap Counterparty Rating;
- (d) the Transferee is assigned a rating by each Rating Agency that is not less than the lower of:
  - (i) the rating assigned by that Rating Agency to the most senior class of Securities on or immediately after the Initial Issue Date; and
  - (ii) the rating assigned by that Rating Agency to the most senior class of outstanding Securities, provided that, if the rating of the Securities has been reduced due to a Hedge Counterparty failing to comply with its obligations under paragraph 11 below, this will be deemed to be the rating assigned by that Rating Agency to those Securities immediately prior to such a reduction;
- (e) the Transferee is a Regulated Counterparty, an Affiliate (as defined in the relevant ISDA Master Agreement) of a Regulated Counterparty or an entity whose long term long term, unsecured and unsubordinated debt obligations are guaranteed by a Regulated Counterparty;
- (f) the Transferee has acceded to the relevant Transaction Documents pursuant to the Issuer Deed of Charge as an Issuer Secured Creditor;

- (g) neither the Transferee nor the Issuer will have to make, as a result of the Transfer, any deduction or withholding for or on account of Tax (except in respect of interest) in respect of any payment due under the relevant Hedge Agreement and/or Hedging Transaction unless the Transferor or the Transferee agree to pay to the Issuer any additional amounts as are necessary to ensure that the net amount actually received by the Issuer will equal the full amount the Issuer would have received had no such deduction or withholding been required and the relevant AssetCo may make all payments net of any withholding or deduction for or on account of Tax; and
- (h) the Transferee makes such representations as are reasonably required by the Issuer as to its status for tax purposes.

#### 11. **Rating Downgrade**

In relation to the Issuer Hedge Agreements, if a Rating Agency downgrades the Hedge Counterparty so that the Hedge Counterparty no longer has the Requisite Swap Counterparty Rating, the Issuer Hedge Agreement shall require that, no later than 30 Business Days after such a downgrade has occurred, the Hedge Counterparty shall, as it deems appropriate, either:

- (a) post collateral having a value equal to the mark-to-market value owing to the Issuer;
- (b) obtain a guarantee of its obligations under the Issuer Hedge Agreement from an entity with the Requisite Swap Counterparty Rating;
- (c) transfer its rights and obligations under the Issuer Hedge Agreement to a Transferee which has the Requisite Swap Counterparty Rating pursuant to paragraph 17 (*Transfer of Hedge Agreement*) above; or
- (d) take any other action as may be agreed between the Hedge Counterparty and the relevant Rating Agency.

#### ***Additional Issuer Secured Creditors***

Any person which accedes to the Issuer Deed of Charge by entering into an Accession Memorandum in accordance with the Issuer Deed of Charge as an additional Issuer Secured Creditor (including a Private Placement Noteholder) shall have all of the rights and Benefit of the Common Terms Agreement as an Issuer Secured Creditor. The Issuer Secured Creditors and each of the parties to the Common Terms Agreement authorise the Issuer Security Trustee to execute each accession memorandum (without liability therefor) and agree to be bound by the terms of such Accession Memorandum.

#### ***Cash Management and Priority of Payments***

ParentCo shall open and maintain the ParentCo Accounts with the Account Bank on behalf of each AssetCo in accordance with the Account Bank Agreement and the Issuer shall open the Issuer Accounts with the Account Bank in accordance with the Account Bank Agreement and Common Terms Agreement. ParentCo shall also open and maintain the AssetCo Maintained Accounts on behalf of each AssetCo with the Account Bank Agreement.

Prior to the delivery of a Senior DSCR Enforcement Notice (or following a Senior DSCR Enforcement Notice being withdrawn) the Accounts shall be administered by ParentCo. Following a Senior DSCR Enforcement Event the Accounts shall be administered by the Cash Administrator in accordance with the Cash Administration Agreement and the Common Terms Agreement.

The Issuer may, if required or contemplated pursuant to the terms of any Hedge Agreement, open an account with the Account Bank as a swap collateral account for the purposes of receiving any swap collateral amounts ("**Swap Collateral**") provided to it in respect of the obligations of the relevant Hedge Counterparty.

### ***Overriding Cash Management Principles***

Amounts credited to the Operating Account in respect of each AssetCo (other than UPP (Broadgate Park) Limited) shall constitute Payment Date Amounts or Surplus Cash in respect of such AssetCo. Application of such Payment Date Amounts or Surplus Cash in accordance with the Operating Account Priority of Payments shall (i) in respect of Payment Date Amounts, constitute discharge on the due date for payment of the relevant Payment Date Liabilities to the extent of such payment to the Issuer, (ii) in respect of Surplus Cash constitute payment of amounts due from the relevant AssetCo under the AssetCo Guarantee.

If Surplus Cash of any AssetCo is applied in or towards payment of any Payment Date Liabilities of a Shortfall AssetCo (as defined below) the application of such Surplus Cash shall be deemed to discharge the Payment Date Liabilities of such Shortfall AssetCo to the extent of the amounts so applied.

If any shortfall in any required balance of, or transfer to, or from, any Account which is attributable to insufficient funds being received or available to an AssetCo or paid by such AssetCo on any Income Payment Date or Prefunding Date (such AssetCo the "**Shortfall AssetCo**") is met though applying Surplus Cash attributable to any other AssetCo, on the next following Income Payment Date(s) or Prefunding Date(s) on which Surplus Cash attributable to such Shortfall AssetCo is available ("**Shortfall AssetCo Surplus Cash**"), such Shortfall AssetCo Surplus Cash up to an amount equal to the relevant shortfall amount shall be applied, or deemed applied, in priority to the application of Surplus Cash attributable to any other AssetCo. Surplus Cash applied by and on behalf of any AssetCo in accordance with the above and the Operating Account Priority of Payments shall constitute payment of amounts due under such AssetCo's Guarantee.

Any principal prepayment by an AssetCo under its On-Loan Agreement (together with (i) accrued interest and other amounts due in respect of such prepayment and (ii) termination and other amounts due under the relevant AssetCo Hedge Agreement) shall be applied, subject to the Issuer Priority of Payments, by the Issuer in early redemption of the Corresponding Securities (in whole or in part) in an amount equal to the amount which corresponds and is equal to the Allocated On-Loan Amount that has been prepaid.

### ***Securities Proceeds Accounts***

ParentCo shall maintain the Securities Proceeds Account on behalf of the Issuer. On each Issue Date (or if later as soon as received), the Issuer shall pay or procure payment of an amount equal to the aggregate net proceeds of the issue of the Securities (the "**Securities Proceeds Amount**") into the Securities Proceeds Account. The Issuer shall advance on the Issue Date one or more On-Loans to the relevant AssetCos in accordance with the terms of the relevant On-Loan Agreements in an aggregate amount equal to the Securities Proceeds Amount. The Issuer's obligation to make an On-Loan shall be satisfied to the extent that the amount of that On-Loan is applied directly (i) to repay and discharge Financial Indebtedness (including any hedging termination amounts) of the relevant AssetCo which is outstanding on such Issue Date in accordance with the agreed payment and settlement instructions relating to such issue of Securities and (ii) the Opex Accounts and Sinking Fund Accounts to the extent described below.

### ***Collection Accounts***

ParentCo shall maintain a Collection Account on behalf of all the AssetCos. ParentCo and each AssetCo shall ensure that all revenues and other income of each AssetCo (other than income constituting Damage Deposit Amounts) that is received by it or on its behalf is paid directly into the Collection Account. To the extent that UPP (Broadgate Park) Limited receives revenue and other income into the UPP Broadgate Park Receipts Account, ParentCo shall procure that UPP (Broadgate Park) Limited promptly transfers such amounts to the Collection Account.

Prior to delivery of an Issuer Enforcement Notice, all amounts withdrawn from the Collection Account shall first be credited to the Opex Account of each relevant AssetCo pursuant to terms described under the section entitled "*Opex Accounts*" below.

### ***Opex Accounts***

ParentCo shall maintain an Opex Account on behalf of each AssetCo (other than UPP (Broadgate Park) Holdings Limited).

Each Opex Account shall be funded on the Initial Issue Date by transferring (i) the amount available to it from each AssetCo's existing opex account and (ii) an amount equal to the shortfall (if any) in the Opex Required Amount of each AssetCo from the Securities Proceeds Amount. Any amounts transferred from the Securities Proceeds Amount shall be deemed part of the advance of the relevant On-Loan to such AssetCo unless such amount has been funded (directly or indirectly) from the proceeds of Equity Subscriptions or Subordinated Debt.

On each Income Payment Date in respect of an AssetCo prior to delivery of an Issuer Enforcement Notice, ParentCo shall transfer from the Collection Account (as applicable) to the relevant AssetCo's Opex Account an amount equal to the balance of the Opex Required Amount **provided that** the relevant AssetCo is a Performing AssetCo.

All operating expenditure (including Taxes) of each AssetCo (other than UPP Broadgate Park) will be funded from withdrawals from its Opex Account. All operating expenditure (including Taxes) of UPP Broadgate Park will be funded from withdrawals from the Opex Account of UPP (Broadgate Park) Limited. Amounts up to a maximum of the Opex Required Amount may be credited to an Opex Account in respect of any Income Period unless any such additional amounts are in respect of Permitted Opex Increases or has been approved by the Issuer.

The balance on an Opex Account (if any) shall be transferred to the relevant AssetCo or its purchaser upon disposal of all of the shares in that AssetCo to any other person that is not a member of the Group.

#### *Operating Account*

ParentCo shall on each Income Payment Date transfer any amounts standing to the credit of the Collection Account to the Operating Account after the transfers to the Opex Accounts and on each Income Payment Date and/or each Prefunding Date ParentCo shall apply funds standing to the credit of the Operating Account in accordance with the Operating Account Priority of Payments set out below.

#### *Repayment Account*

ParentCo shall transfer from the Operating Account to the Repayment Account in accordance with the Operating Account Priority of Payments set out below an amount equal to the Payment Date Liabilities in an amount due from each AssetCo (other than UPP (Broadgate Park) Limited) under its On-Loan Agreement and if applicable any AssetCo Hedging Agreement (representing when aggregated with all such payments from each AssetCo an amount at least equal to the amount required to discharge payments due on the next following Interest Payment Date to Issuer Secured Creditors). All payments due from the Issuer to a Hedge Counterparty and payments due to the Issuer from a Hedge Counterparty shall be paid from or into (as applicable) the Repayment Account on or prior to the relevant Swap Payment Date. All payments received from a Hedge Counterparty by the Issuer shall be credited to the Repayment Account and applied by the Issuer on the relevant Swap Payment Date in payment of the corresponding amounts due from the Issuer to the relevant AssetCos under the relevant AssetCo Hedge Agreements and such payments shall rank and be applied on an equivalent basis to the relevant Issuer Hedge Agreement to which they relate. Prior to the delivery of an Issuer Enforcement Notice, on each Interest Payment Date, Swap Payment Date and on such other dates on which amounts are payable pursuant to paragraph (a) to (c) of the Issuer Priority of Payments, ParentCo shall apply (on behalf of the Issuer) funds standing to the credit of the Repayment Account in accordance with the Issuer Priority of Payments. Following delivery of an Issuer Enforcement Notice any amount credited to the Repayment Account shall be applied in accordance with the Issuer Priority of Payments when received. The Issuer may not prepay any principal amount under the Securities other than from amounts representing the proceeds of prepayment of one or more On-Loans.

#### *Debt Service Reserve Account*

The Issuer shall maintain a Debt Service Reserve Account in accordance with the Account Bank Agreement. The Debt Service Reserve Required Amount shall initially be funded from deposits funded by loans to the Issuer made by the AssetCos (other than UPP (Broadgate Park) Limited) out of the proceeds of the On-Loans and thereafter in accordance with the Operating Account Priority of Payments (each such loan a "**DSRA Loan**"). Amounts (including, for the avoidance of doubt, any interest) may only, subject as follows, be withdrawn from the Debt Service Reserve Account and applied in accordance with the Operating Account Priority of Payments if on any Interest Payment Date and

following the application of the Operating Account Priority of Payments there are or would be insufficient amounts standing to the credit of the Repayment Account to fund all scheduled amounts due from the Issuer in respect of the Securities and any Issuer Hedge Agreements on such Interest Payment Date or Swap Payment Date as applicable. Amounts withdrawn from the Debt Service Reserve Account shall be deemed applied in repayment of the relevant DSRA Loan from the relevant Shortfall AssetCo and applied in repayment of the amount(s) due under its On-Loan Agreement to the extent of such amount withdrawn. Any subsequent amount credited to the Debt Service Reserve Account shall be deemed a further DSRA Loan in relation to such Shortfall AssetCo in relation to amounts paid into the Collection Account in respect of its revenue. Amounts may also be withdrawn from the Debt Service Reserve Account to the extent that the balance of the Debt Service Reserve Account exceeds the Debt Service Required Amount, and such withdrawals shall be credited to the Collection Account and deemed to be payments of any accrued interest or repayments of principal in respect of the relevant DSRA Loan.

#### *Sinking Fund Account*

ParentCo shall maintain a Sinking Fund Account on behalf of each AssetCo (other than UPP (Broadgate Park) Holding Limited). Each Sinking Fund Account shall be used to maintain sinking fund reserves in the amounts equal to the Sinking Fund Required Amount. The lifecycle maintenance costs of each AssetCo (other than UPP (Broadgate Park) Holding Limited) will be discharged with payments from the relevant AssetCo's Sinking Fund Account. The Sinking Fund Account of each AssetCo shall be funded on the Initial Issue Date by transferring (i) the amount available to it from each AssetCo's existing sinking fund account and (ii) an amount equal to the shortfall (if any) in the Sinking Fund Required Amount of each AssetCo from the Securities Proceeds Amount. Any amounts transferred from the Securities Proceeds Amount shall be deemed part of the advance of the relevant On Loan to such AssetCo unless such amount has been funded (directly or indirectly) from the proceeds of Equity Subscriptions or Subordinated Debt.

Following the Initial Signing Date, the Sinking Fund Account of each AssetCo shall be funded to the Sinking Fund Required Amount in accordance with the Operating Account Priority of Payments. The balance on a Sinking Fund Account shall be transferred to the AssetCo or its purchaser upon any disposal of all of the shares in that AssetCo to any other person that is not a member of the Group.

#### *Insurance Proceeds Account*

ParentCo and, to the extent it receives any Insurance Proceeds, the AssetCo Security Trustee shall ensure that all Insurance Proceeds are paid directly into the Insurance Proceeds Account of the relevant AssetCos. ParentCo shall apply amounts standing to the credit of the relevant Insurance Proceeds Account in application toward restitution costs and/or any other obligations which the relevant AssetCos is obliged or permitted to discharge out of the Insurance Proceeds received by such AssetCo **provided that**, subject to the reinstatement (or similar) provisions of the Project Documents (if any), any Insurance Proceeds amounts (i) above £100,000 (indexed) must be applied in reinstatement of the relevant assets of the AssetCo to which such Insurance Proceeds relates and (ii) above £5,000,000 (indexed), in partial prepayment of the Securities (including any associated amounts payable under any Hedge Agreement).

#### *Distribution Account*

On each Prefunding Date payments arising under paragraph (l) of the Operating Account Priority of Payments shall be paid into the Distribution Account by ParentCo **provided that** no Lock-Up Event has occurred and is continuing. On or following each Interest Payment Date, ParentCo may pay all amounts standing to the credit of the Distribution Account towards Distributions made or to be made by HoldCo **provided that** the Group Agent has delivered prior to such Distribution a Compliance Certificate in respect of such Interest Payment Date evidencing that no Lock-Up Event has occurred that is continuing.

Following the occurrence of a Senior DSCR Enforcement Event only the Cash Administrator may transfer amounts to the Distribution Account for application in making a Distribution to HoldCo subject always to the terms of Common Terms Agreement and the other Transaction Documents. The proceeds of Subordinated Debt may only be credited to the Distribution Account and advanced to ParentCo as Intra-Group Debt.



### *The Issuer Profit Account*

The Issuer Profit Account may only be used to credit the Issuer Profit Amount and withdrawals from such account may only be made to pay amounts due to HMRC or other Tax Authority and thereafter to credit amounts due to the Distribution Account.

### *Authorised Investments*

ParentCo or the Cash Administrator (as applicable) may invest in Authorised Investments from such part of the amounts standing to the credit of any of the Accounts from time to time as consistent with prudent treasury management and subject as provided below. ParentCo or the Cash Administrator (as applicable) may only invest in Authorised Investments which are held to the order of ParentCo. ParentCo or the Cash Administrator (as applicable) will at all times:

- (a) ensure to the best of its knowledge that a prudent spread of any Authorised Investments is maintained; and
- (b) liquidate (or ensure that there are liquidated) Authorised Investments to the extent necessary for the purposes of payment of any amount due under the Transaction Documents.

The Account Bank or ParentCo or the Cash Administrator (as applicable) must, upon receipt of any proceeds on Authorised Investments ("**Investment Proceeds**"), apply such Investment Proceeds in either (at ParentCo's or the Cash Administrator's (as applicable) discretion):

- (a) reinvestment in further Authorised Investments nominated by ParentCo; or
- (b) payment to the Account from which the Authorised Investments were made and the Investment Proceeds derive.

ParentCo or the Cash Administrator (as applicable) shall procure that the maximum average life of an Authorised Investment is 24 months. If any investment ceases to be an Authorised Investment, ParentCo or the Cash Administrator (as applicable) must as soon as reasonably practicable after becoming aware of that fact (and in any event, no more than 30 Business Days after that time) replace the investment with an Authorised Investment or with cash as soon as it is reasonably practicable to do so.

### *Operating Account Priority of Payments*

Amounts in the Operating Account shall be disbursed or transferred on each Income Payment Date and on each Prefunding Date as applicable in the following order of priority:

- (a) *first, pro rata* in payment of (i) the amounts due in respect of fees and other remuneration and indemnity payments (if any) to the AssetCo Security Trustee, any Appointee and any Receiver and any costs, charges, liabilities and expenses incurred by the AssetCo Security Trustee, any Appointee and any Receiver under the AssetCo Documents and any other amounts payable to the AssetCo Security Trustee, any Appointee and any Receiver under the AssetCo Documents and (ii) the amounts payable to the Issuer by way of Ongoing Facility Fee equal to the amounts due in respect of fees and other remuneration and indemnity payments (if any) to the Issuer Security Trustee, Issuer Note Trustee, any Appointee and any Receiver and any costs, charges, liabilities and expenses incurred by the Issuer Security Trustee, Issuer Note Trustee, any Appointee and any Receiver under the Transaction Documents and any other amounts payable to the Issuer Security Trustees and Issuer Note Trustee, any Appointee and any Receiver under the Transaction Documents;
- (b) *second, pro rata* in payment of amounts payable to the Issuer by way of Ongoing Facility Fee, in payment of fees, costs, indemnity payments, charges, liabilities and expenses and other amounts due to:
  - (i) ParentCo if acting as cash administrator (in amounts agreed by the Issuer);
  - (ii) the Cash Administrator;
  - (iii) the Account Bank;

- (iv) Paying Agent, Transfer Agent, Registrar, Calculation Agent, Agent Bank;
  - (v) the Monitoring Adviser;
  - (vi) the Issuer Management Services Provider; and
  - (vii) the Issuer Corporate Officer Provider;
- (c) *third*, subject to paragraph (k) below, *pro rata* in payment of amounts payable to the Issuer by way of Ongoing Facility Fee, the payment of:
- (i) ongoing corporate expenses (including administrative expenses, auditors fees, Rating Agency fees, corporate and other Taxes other than UK corporation tax at the standard rate from time to time on the Issuer Profit Amount) of the Issuer Obligors;
  - (ii) payment of amounts due and payable to third party creditors of the Issuer, or to become due and payable to third party creditors (if any) of the Issuer prior to the next Interest Payment Date, of which ParentCo or the Cash Administrator (as applicable) has notice prior to the relevant Interest Payment Date, which amounts have been incurred without breach by the Issuer of the Issuer Transaction Documents (and for which payment has not been provided for elsewhere); and
  - (iii) an amount equal to the Issuer Profit Amount to the Repayment Account;
- (d) *fourth*, in payment of an amount to the Repayment Account which has been funded by each AssetCo (other than UPP (Broadgate Park) Limited) which is equal to the net amounts (other than in respect Hedging Subordinated Amounts) that will fall due from that AssetCo under the relevant AssetCo Hedge Agreement on each Swap Payment Date falling on or prior to the next Interest Payment Date, which amount will be equal to such AssetCo's relevant proportion of the corresponding amounts due from the Issuer under a Super Senior Issuer Hedging Agreement on such Swap Payment Date(s) falling on or prior to the next Interest Payment Date such that the balance of the Repayment Account shall be sufficient to meet all such payments;
- (e) *fifth*, *pro rata* in payment to the Repayment Account of an amount which has been funded by each AssetCo (other than UPP (Broadgate Park) Limited) which is equal to (a) all scheduled amounts (other than termination amounts, unscheduled amounts or final or scheduled exchange payments on cross currency swaps or any Hedging Subordinated Amounts) that will fall due from that AssetCo under the relevant AssetCo Hedge Agreement on each Swap Payment Date falling on or prior to the next Interest Payment Date, which amount will be equal to such AssetCo's relevant proportion of the corresponding amounts due from the Issuer under a Pari Passu Hedging Transaction on such Swap Payment Date(s) falling on or prior to the next Interest Payment Date such that the balance of the Repayment Account shall be sufficient to meet all such payments; and (b) the amount of interest (and any equivalent payments) that will fall due under the relevant On-Loan(s) in respect of the next succeeding Interest Payment Date, which amount will be equal to such AssetCo's relevant proportion of the corresponding amounts due from the Issuer to meet all interest on the Securities (and any other related costs and expenses of the Issuer) on the next Interest Payment Date such that the balance of the Repayment Account shall be sufficient to meet all such payments;
- (f) *sixth*, *pro rata* in payment to the Repayment Account of an amount which has been funded by each AssetCo (other than UPP (Broadgate Park) Limited) which is equal to (a) the termination amounts or other unscheduled amounts or final or scheduled exchange payments on cross-currency swaps (other than in respect of Hedging Subordinated Amounts) that is or will fall due from that AssetCo under the relevant AssetCo Hedge Agreement on any Swap Payment Date falling on or prior to the next Interest Payment Date, which amount will be equal to such AssetCo's relevant proportion of the corresponding amounts due from the Issuer under a Pari Passu Hedging Transaction on such Swap Payment Date(s) falling on or prior to the next Interest Payment Date such that the balance of the Repayment Account shall be sufficient to meet all such payments; (b) the amount of principal (and any other amounts) that is or will fall due under the relevant On-Loan(s) in respect of the next succeeding Interest Payment Date, which amount will be equal to such AssetCo's relevant proportion of the corresponding amounts due from the

Issuer to meet all principal payments on the Securities (and any other related costs and expenses of the Issuer) on the next Interest Payment Date such that the balance of the Repayment Account shall be sufficient to meet all such payments;

- (g) *seventh*, on a Prefunding Date, each AssetCo's (other than UPP (Broadgate Park) Limited) relevant proportion of any shortfall in the Debt Service Reserve Required Amount attributable to each relevant AssetCo;
- (h) *eighth*, on a Prefunding Date an amount in respect of each relevant AssetCo which is equal to any shortfall in its Sinking Fund Required Amount;
- (i) *ninth*, on a Prefunding Date an amount in respect of each relevant AssetCo which is equal to any shortfall in its Opex Required Amount;
- (j) *tenth*, in payment of an amount to the Repayment Account which has been funded by each AssetCo (other than UPP (Broadgate Park) Limited) which is equal to the amounts that are or will fall due from that AssetCo on any Swap Payment Date falling on or prior to the next Interest Payment Date, which amount will be equal to such AssetCo's relevant proportion of the corresponding amounts due from the Issuer under a Hedge Agreement in respect of Hedging Subordinated Amounts on such Swap Payment Date(s) falling on or prior to the next Interest Payment Date such that the balance of the Repayment Account shall be sufficient to meet all such payments; and
- (k) *eleventh*, following the delivery of a Issuer Enforcement Notice the amounts otherwise specified as payable under paragraph (c)(i) and (ii) above;
- (l) *twelfth*, on a Prefunding Date payments to the Distribution Account subject to the terms of the Transaction Documents.

Following the transfers made in accordance with the Operating Account Priority of Payments, amounts standing to the credit of the Repayment Account shall be applied in accordance with the Issuer Priority of Payments.

If on any Prefunding Date the balance on the Operating Account (after payment in full of all prior ranking claims) (the "**remaining balance**") is insufficient to pay in full the aggregate amount specified in paragraphs (h) and (i), then an amount equal to the remaining balance shall, after satisfying all amounts required to be applied in payment to the Performing AssetCos at paragraphs (h) and (i) from the remaining balance, be applied in payment of the Opex Required Amount and the Sinking Fund Required Amount of such Non-Performing AssetCo(s) as ParentCo shall direct.

Swap Collateral may only be applied, subject always to the terms of the relevant Hedge Agreement, for the purposes of discharging any liabilities due under the relevant Hedge Agreement and thereafter in application of any excess amount to which the Issuer is entitled, for application in accordance with the Issuer Priority of Payments.

#### *Governing Law*

The Common Terms Agreement and all non-contractual obligations arising out of or in connection with it shall be governed by English law.

#### **Monitoring Services Agreement**

The Issuer will appoint Trifinium Advisors (UK) Limited as Monitoring Adviser to perform various services (the "**Services**") in accordance with the Monitoring Standard (as defined below) and the other terms of the Monitoring Services Agreement. The Monitoring Adviser shall use its professional skill and expertise to perform the Services, acting in the best interests of the holders of the Securities (a "**Holder**") and with regard to the interest of such Holders only. In determining the best interests of the Holders, the Monitoring Adviser shall assume each Holder (a "**Notional Holder**") has a pro-rata exposure to each series of Notes and Private Placement Notes then outstanding (together, the "**Relevant Securities**") and that maximising aggregate ultimate recoveries to Notional Holders of the Relevant Securities is in the best interests of a Notional Holder without preference or priority in respect of any series or class of Securities

but without prejudice to any obligation of the Monitoring Adviser to act reasonably or in good faith. The foregoing standard and assumptions constitute the "**Monitoring Standard**".

The Monitoring Adviser will represent and warrant on the date of the Monitoring Services Agreement to each of the Issuer, Issuer Security Trustee, HoldCo, ParentCo, AssetCo Security Trustee and the Original AssetCos that:

- (a) it is duly incorporated and existing under the laws of its country of incorporation;
- (b) it has full power and authority for it to own its assets, carry on its business as it is now being conducted, and to perform the Services contemplated in the Monitoring Services Agreement;
- (c) the Monitoring Services Agreement constitutes its legal, valid and binding obligations;
- (d) the signing and delivery of the Monitoring Services Agreement does not contravene or constitute a default under, or cause to be exceeded any limitation on it or the powers of its directors imposed by or contained in:
  - (i) any law by which it or any of its assets is bound or affected;
  - (ii) its constitutive documents; or
  - (iii) any agreement to which it is a party or by which it or any of its assets is bound, which would in any such case have a material adverse effect on the ability of the Monitoring Adviser to perform the Services;
- (e) it has duly obtained or made each authorisation, approval, consent, licence, exemption or registration required by it for or in connection with the execution and performance of the Monitoring Services Agreement and any matters contemplated thereby have been unconditionally obtained and are in full force and effect;
- (f) it employs or has available to it sufficient allocated personnel that are adequately trained and sufficiently experienced and who devote such amount of their business time and attention to the activities of the Monitoring Adviser as is necessary for it to provide the Services and perform its duties as contemplated by, and in accordance with, the terms of the Monitoring Services Agreement; and
- (g) it maintains insurances on and in relation to its business and assets with reputable underwriters or insurance companies against those risks and to the extent as is usual or good practice for companies carrying on the same or substantially similar business.

The Monitoring Adviser will also covenant with each of the Issuer, Issuer Security Trustee, HoldCo, ParentCo, AssetCo Security Trustee and the Original AssetCos to notify the Issuer and Issuer Security Trustee as soon as practicable and in any event within 3 Business Days of any changes to the principal individuals who are performing the Services on a day to day basis and to ensure that it employs or has available at all times sufficient allocated personnel that are adequately trained and sufficiently experienced and to ensure that such personnel will devote such amount of their business time and attention to the activities of the Monitoring Adviser as is necessary for the Monitoring Adviser to provide the Services and perform its duties as contemplated by, and in accordance with the terms of the Monitoring Services Agreement and also to maintain insurance in relation to its business and assets with reputable underwriters or insurance companies against those risks and to the extent as is usual or good practice for companies carrying on the same or substantially similar business.

The Obligors will covenant to the Monitoring Adviser to provide in a timely manner and appropriate format all information in their possession which is necessary or reasonably requested by the Monitoring Adviser to perform the Services and fulfil its obligations and duties in accordance with the Monitoring Standard, and will use all reasonable endeavours to provide all other information which is necessary or reasonably requested by the Monitoring Adviser to perform the Services.

The Issuer shall hold harmless and fully indemnify the Monitoring Adviser, any Affiliate of the Monitoring Adviser and the directors, officers, agents, employees and controlling persons (if any), as the

case may be, of the Monitoring Adviser and of each such Affiliates (each, an "**Indemnified Party**") from and against all costs, charges, expenses and liabilities an Indemnified Party may incur or may be made against it in consequence of, or in connection with the Monitoring Services Agreement or the performance of the Services save where:

- (a) such costs, charges, expenses and liabilities arise as a result of the gross negligence, wilful default or fraud an Indemnified Party; or
- (b) such costs, charges, expenses and liabilities are finally judicially determined to have resulted from a breach of the Monitoring Adviser's obligations under the Monitoring Services Agreement; or
- (c) the Monitoring Adviser has not notified the Issuer in writing within 3 months of the Monitoring Adviser first becoming aware of the incurrence of the relevant cost, charge, expense or liability by the relevant Indemnified Party.

The Monitoring Adviser shall not be a fiduciary in respect of the performance of the Services. The Monitoring Adviser shall not be liable for any loss, liability, claim expense or damage suffered or incurred by any other Transaction Party or the Holders of Relevant Securities with respect to the performance of its obligations under the Monitoring Services Agreement, save for loss suffered by the Holders of Relevant Securities resulting from its fraud, gross negligence, or wilful default.

#### ***Termination***

Pursuant to the Monitoring Services Agreement, the Monitoring Adviser's appointment may be terminated by the Issuer (acting on the instructions of the Issuer Security Trustee) upon any express direction or instruction to the Issuer Security Trustee given by (i) Qualifying Issuer Secured Creditors representing 25 per cent. of Qualifying Issuer Senior Debt; or (ii) a simple majority of Qualifying Issuer Secured Creditors in respect of Voted Qualifying Debt, in case of material breach, default or gross negligence of the Monitoring Adviser under the Monitoring Services Agreement or in performing the Services. The Monitoring Adviser's appointment shall be automatically terminated upon the occurrence of an insolvency event in respect of the Monitoring Adviser.

The Monitoring Adviser may resign as Monitoring Adviser by sending written notice to each of the Issuer and the Issuer Security Trustee on or after the date falling 2 years after its appointment under the Monitoring Services Agreement. Such resignation may not take effect prior to the date falling three years after its appointment under the Monitoring Services Agreement.

Upon termination or resignation of the appointment of the Monitoring Adviser, the Issuer shall use all reasonable endeavours to procure the appointment of a replacement monitoring adviser acceptable to the Issuer Secured Creditors, **provided that**, if no such replacement monitoring adviser has been appointed within 6 months, the Issuer Security Trustee shall be entitled to require the Issuer to appoint such person as the Issuer Secured Creditors may direct in accordance with the Monitoring Services Agreement.

#### ***Monitoring under normal conditions***

The Monitoring Services Agreement will outline the extent of Services to be provided under normal conditions which shall include (but are not limited to):

- (a) *Regular Updates*
  - (i) *Management Meetings*: The Monitoring Adviser shall arrange for meetings with the management team of the Group on a semi-annual basis (and ParentCo shall procure that the management team of the Group convenes such meetings) in order to review and discuss the financial and business performance of each AssetCo and the Group.
  - (ii) *FM Provider*: The Issuer shall procure that the FM Provider provides to the Monitoring Adviser all such information available to it as is reasonably necessary for the Monitoring Adviser to perform the Services and to make an informed assessment of the provision of the FM Services, the performance of each AssetCo and compliance with the relevant Project Documents.

(iii) *Property Visits*: The Monitoring Adviser and ParentCo must agree scheduling and carry site visits to the properties of each AssetCo in accordance with the Monitoring Services Agreement and maintain appropriate insurances and levels of cover.

(b) *Cash Management and Operating Budget*

The Monitoring Adviser must as soon as reasonably practicable review (i) the Bi-annual Cash Management Report in order to monitor and ascertain whether payments are being made in a timely manner and in accordance with the relevant On-Loan Agreement and the other Transaction Documents and (ii) each Operating Budget in order to monitor and ascertain whether such budget is reasonable based upon the information available to the Monitoring Adviser at such time having regard to the performance and financial condition of the business of each applicable AssetCo and the Group; the historic expenditure of the relevant AssetCo or the Group as the case may be; the debt service requirements of each AssetCo to the Issuer and the compliance with the terms of the relevant On-Loan, if applicable.

(c) *Investor Reporting*

The Monitoring Adviser must as soon as reasonably practicable (after receipt of the same from the Issuer or ParentCo) review the draft Investor Report in accordance with the Monitoring Standard consult with Issuer and ParentCo and confirm in an addendum whether, on the basis of information obtained in the performance of the Services, it agrees with the matters stated in the Investor Report or shall specify in reasonable detail any reservations with respect to such matters or if it rejects or disputes any of the matters, information or statements included in the Annual Report.

(d) *Sinking Fund Review*

In accordance with their respective obligations under the Transaction Documents, ParentCo (or failing which, each AssetCo) shall, within each Property Review Period, commission the FM Provider or an independent and suitably qualified property consultant to review the condition of each relevant property and report (the "**Lifecycle Report**") on the lifecycle maintenance costs projected to be required over the following 60 months to maintain the condition of each relevant property in good working order, of a quality consistent with those of alternative accommodation available in respect of the relevant University and consistent with good industry practice (the "**Projected Lifecycle Maintenance Costs**"). The Monitoring Adviser must review the report provided by such property consultant against the sufficiency of each AssetCo's sinking funds reserves (further to information provided by ParentCo or the AssetCo, as applicable) held in the relevant Sinking Fund Reserve Account to meet Projected Lifecycle Maintenance Costs.

If at any time an AssetCo is subject to 30 per cent. "unavailability" (as such term is defined in the relevant Project Document), ParentCo shall, if required by the Monitoring Adviser (acting reasonably), commission an interim Lifecycle Report on the condition of the relevant Property.

(e) *Additional Indebtedness Conditions*

Prior to the Issuer or any AssetCo incurring additional Financial Indebtedness, the Monitoring Adviser must confirm that such Additional Indebtedness Conditions have been satisfied and such confirmation shall be a condition precedent to the incurrence of such additional Financial Indebtedness.

***Monitoring under stress conditions***

(a) *Compensation*: The Monitoring Adviser shall be consulted in order to ascertain that the levels, form and payment terms of any compensation payments payable by any University to an AssetCo, are correctly calculated in accordance with the terms of the relevant AssetCo Documents.

(b) *FM Provider*: The Monitoring Adviser shall be consulted in order to ascertain that a proposed replacement FM provider has appropriate technical qualifications and financial strength and the new FM Contract and associated Direct Agreements are in form and substance reasonably satisfactory to the Monitoring Adviser.

- (c) *Trigger Level 1, Phase 1*: As soon as is reasonably practicable following the occurrence of Trigger Level 1, Phase 1 (as defined above) and receipt of a Trigger Level Report, the Monitoring Adviser must review such information report and may request quarterly meetings on reasonable notice with management of the underperforming AssetCo or ParentCo, as the case may be.
- (d) *Trigger Level 1, Phase 2*: As soon as is reasonably practicable following the occurrence of Trigger Level 1, Phase 2 (as defined above) and receipt of a the Trigger Level Report, the Monitoring Adviser must provide a review report (and thereafter on a semi-annual basis for so long as continuing) to the Issuer, the Issuer Security Trustee and the Issuer Secured Creditors stating its views and analysis of the Trigger Level 1, Phase 2 event. The Monitoring Adviser may also request quarterly meetings on reasonable notice with management of the underperforming AssetCo or ParentCo, as the case may be.
- (e) *Trigger Level 2, Phase 1*: Following the occurrence of Trigger Level 2, Phase 1 (as defined above) ParentCo and the relevant AssetCo must prepare a remedial plan including, among other things a proposed cure period and specific and measurable milestones (the "**Performance Objectives**") and actively engage the Monitoring Adviser and the Monitoring Adviser shall have consultation rights and be given a right to comment on the remedial plan and prepare a review report (on a quarterly basis) (a "**MA Trigger Level Reporting**") to the Issuer, the Issuer Security Trustee and the Issuer Secured Creditors. The Monitoring Adviser may also request monthly meetings on reasonable notice with management of the underperforming AssetCo or ParentCo, as the case may be. In addition the Monitoring Adviser shall meet with the officers or other appropriate personnel of the relevant University and request information for the purposes of making an assessment of the reasons for such AssetCo failing to achieve the expected business and financial performance standards.
- (f) *Trigger Level 2, Phase 2*: Following the occurrence of Trigger Level 2, Phase 2 (as defined above) ParentCo, the relevant AssetCo and the Monitoring Adviser must jointly devise and agree a remedial plan and the Monitoring Adviser shall continue quarterly MA Trigger Level Reporting and may also request monthly meetings on reasonable notice with management of the underperforming AssetCo or ParentCo. as the case may be.

#### ***AssetCo Event of Default***

In the event of an AssetCo Event of Default which is continuing, the affected AssetCo's existing management team shall (subject to duties of directors of the relevant AssetCo) cease to make independent management decisions without prior authorisation by the Monitoring Adviser of such decisions. The Monitoring Adviser must, in such circumstances, as soon as reasonably practicable following the AssetCo Event of Default which is continuing, provide recommendations to the Issuer and the Security Trustees regarding, without limitation (i) taking any Enforcement Action including enforcement of the AssetCo Security; (ii) accelerating claims against the relevant underperforming AssetCo including pursuant to the AssetCo Guarantee (iii) the exercise of step in rights under the Project Documents or (iv) any sale of shares of an AssetCo. Implementation of any such proposed Enforcement Action shall be subject to approval of a relevant MA Proposal Request relating to such ISC Direction Matter in accordance with the AssetCo Monitored Activity Decision Procedures.

#### ***AssetCo Monitored Activity Decision Procedures***

The Issuer Deed of Charge shall apply *mutatis mutandis* in relation to any determination as to whether to approve or reject an MA Proposal Request (as defined below), **provided that** any voting and direction arrangements shall be modified according to the provisions of Schedule 2 (*AssetCo Monitored Activity Decision Procedures*) to the Monitoring Services Agreement.

The Issuer has agreed pursuant to the Issuer Deed of Charge that it shall exercise the Financing Rights to which it is entitled under any AssetCo Document only as directed by, or with the prior consent of, the Issuer Security Trustee. Any such direction or consent of the Issuer Security Trustee shall be given in accordance with the Issuer Deed of Charge as modified, to the extent the relevant Financing Right would form the basis of an AssetCo Monitored Activity by Schedule 2 (*AssetCo Monitored Activity Decision Procedures*) to the Monitoring Services Agreement. In the event of a conflict between the provisions of

Schedule 2 (*AssetCo Monitored Activity Decision Procedures*) to the Monitoring Services Agreement and the Issuer Deed of Charge, the Issuer Deed of Charge shall prevail.

Any Qualifying Issuer Secured Creditor shall be entitled, by delivery of an SC Instruction Notice or in response to a Direction Notice to instruct the Issuer Security Trustee to request the Issuer to initiate an MA Proposal Request. The Issuer shall, if requested by the Issuer Security Trustee, make an MA Proposal Request on such terms as may be required by the Issuer Security Trustee. The procedures described herein relating to the MA Proposal Request shall apply *mutatis mutandis* to any such proposals.

- (a) *MA Proposal Request and Category Determination:* The AssetCo, ParentCo or the Issuer (each a "**Relevant Proposer**") shall notify the Issuer Security Trustee and the Monitoring Adviser of the terms of a proposal request ("**MA Proposal Request**") in connection with any AssetCo Monitored Activity and use reasonable endeavours to consult with the Monitoring Adviser in order for the Monitoring Adviser to make a decision or issue a Monitoring Adviser Recommendation. An MA Proposal Request shall include a non-binding statement by the Relevant Proposer whether it is an "Ordinary Matter" or an "Expedited Matter" and whether in its reasonable opinion it is an MA Direction Matter, ISC Recommendation Matter or an ISC Direction Matter (as defined below) and the Monitoring Adviser shall confirm the category within 5 (if an Ordinary Matter) or 3 (if an Expedited Matter) Business Days ("**Category Determination Date**").
- (b) *Monitoring Adviser Recommendation:* Within 10 (if an Ordinary Matter) or 5 (if an Expedited Matter) Business Days of the Category Determination Date, the Monitoring Adviser shall notify the Issuer Security Trustee of its recommendation (or, if an MA Direction Matter (as defined below), direction) to approve or reject the MA Proposal Request and, if applicable, any conditions to such approval (the "**Monitoring Adviser Recommendation**").
- (c) *MA Direction Matter:* If the Monitoring Adviser Recommendation relates to a matter which is not an ISC Recommendation Matter or an ISC Direction Matter (such matter an "**MA Direction Matter**") the Issuer Security Trustee shall approve or reject the MA Proposal Request in accordance with the directions of the Monitoring Adviser and subject to conditions required by the Monitoring Adviser. If rejected, the Issuer may resubmit the MA Proposal Request and elect to re-categorise it as an ISC Recommendation Matter.
- (d) *ISC Voting Request:* In relation to an ISC Recommendation Matter or an ISC Direction Matter, the Issuer Security Trustee shall in accordance with the procedures described in the Issuer Deed of Charge send an ISC Voting Request specifying a Decision Period to each Issuer Secured Creditor together with the Monitoring Adviser Recommendation.
- (e) *ISC Recommendation Matter:* The Decision Period of an ISC Recommendation Matter shall be not less than 15 or, if an Expedited Matter, 10 Business Days during which each Qualifying Issuer Secured Creditor (acting in accordance with the Issuer Deed of Charge and the Common Terms Agreement) may vote on a pound for pound basis against the proposed Monitoring Adviser Recommendation. If rejected by Majority Creditor votes from Issuer Secured Creditors representing at least 25 per cent. of Qualifying Issuer Senior Debt (an "**ISC Rejected Proposal**") the ISC Rejected Proposal shall, if resubmitted by the Relevant Proposer on the same terms, instead constitute an ISC Direction Matter and a new Decision Period shall commence.
- (f) *ISC Direction Matter:* The Decision Period for an ISC Direction Matter shall be not less than 15 Business Days during which each Qualifying Issuer Secured Creditor may vote on a pound for pound basis for or against the MA Proposal Request or any proposed conditions made in the related Monitoring Adviser Recommendation. The MA Proposal Request may only be approved by Majority Creditor votes in favour of the MA Proposal Request from Issuer Secured Creditors who represent at least 25 per cent. of Qualifying Issuer Senior Debt or, in relation to any proposal by the Issuer to terminate the engagement of or replace the Monitoring Adviser, 50 per cent. of Qualifying Issuer Senior Debt.
- (g) *Re-Categorisation:* The Monitoring Adviser may require the Issuer and the Issuer Security Trustee to make a MA Proposal Request in connection with a Monitoring Adviser Recommendation to re-categorise any matter (other than any ISC Direction Matter) as an MA Direction Matter, ISC Recommendation Matter or ISC Direction Matter as applicable or add



further ISC Direction Matters. The process for determining whether to approve such MA Proposal Request shall follow the procedure described above in relation to an ISC Recommendation Matter.

- (h) *Binding Decisions:* Following approval or rejection of a MA Proposal Request as described above each of the Relevant Proposer, each other Obligor, each Issuer Secured Creditor and each Security Trustee shall (save in respect of any Reserved Matters and subject to the conditions in relation to an MA Direction Matter) be bound by and give effect to such decision and the Issuer Security and the AssetCo Security Trustee are instructed to act accordingly.

### **Governing Law**

The Monitoring Services Agreement and all non-contractual obligations arising out or in connection with it shall be governed by English law.

### **Cash Administration Agreement**

Each of ParentCo and the Issuer will appoint Elavon Financial Services Limited, U.K. Branch, as Cash Administrator pursuant to a cash administration agreement dated on or before the Initial Issue Date (the "**Cash Administration Agreement**"). The Cash Administrator will undertake certain cash administration services only in the event a Senior DSCR Enforcement Notice is delivered. Prior to the delivery of a Senior DSCR Enforcement Notice (or following a Senior DSCR Enforcement Event being remedied) ParentCo will undertake the aforesaid cash administration services. ParentCo and the Issuer (with the prior written consent of the Issuer Security Trustee) may at any time (with at least thirty (30) days' prior notice) terminate the Cash Administrator's appointment and appoint a Successor Cash Administrator.

Each of ParentCo and the Issuer will appoint the Cash Administrator as its lawful non-exclusive agent in its name and, on its behalf, to:

- (a) operate the relevant Accounts and effect payments to and from the relevant Accounts in accordance with the provisions of Common Terms Agreement, Monitoring Services Agreement, Issuer Obligor Security Documents and the AssetCo Security Documents; and
- (b) invest funds not immediately required by ParentCo and the Issuer Obligors in Authorised Investments in accordance with the provisions of the Cash Administration Agreement and the Common Terms Agreement;
- (c) act on the instructions of ParentCo or the Issuer (as appropriate), to effect payments to and from the relevant accounts to assist ParentCo and the Issuer in carrying out treasury management functions in line with the Hedging Policy and as contemplated by the other Transaction Documents; and
- (d) perform on behalf of ParentCo and the Issuer certain other functions in connection with and ancillary to paragraphs (a) to (c) above.

The appointment of the Cash Administrator will terminate under the Cash Administration Agreement if: (i) default is made by the Cash Administrator in the performance of any of its material covenants and material obligations under the Cash Administration Agreement or (ii) an Insolvency Event occurs in relation to the Cash Administrator.

The Cash Administrator is entitled to resign on giving 30 days' written notice **provided that** any such resignation will not become effective until a successor Cash Administrator is appointed. The successor must have similar experience in calculation and administration of cash and cash accounts, enter into an agreement substantially the same as the Cash Administration Agreement which if remediable, continues unremediated for a period of 15 Business Days after the earlier of the Cash Administrator becoming aware of such default and receipt by the CA of written notice from ParentCo, the Issuer or either Security Trustee requiring the same to be remedied and the rates payable to the successor must not be more than commonly charged by other cash managers in the United Kingdom.

The Cash Administration Agreement and all non-contractual or other obligations arising out of or in connection with it will be governed by English law.

## **Account Bank Agreement**

Each of ParentCo and the Issuer will appoint Barclays Bank PLC to act as Account Bank pursuant to an account bank agreement dated on or before the Initial Issue Date to provide certain services to ParentCo (in respect of itself and certain accounts held on behalf of each AssetCo) and the Issuer.

ParentCo will open and shall maintain with the Account Bank the ParentCo Accounts and the AssetCo Maintained Accounts and the Issuer will open and shall maintain with the Account Bank the Issuer Accounts.

Prior to the delivery of a Senior DSCR Enforcement Notice, AssetCo Enforcement Notice or an Issuer Enforcement Notice, the Account Bank shall act on the instructions of the Issuer and ParentCo.

Following the delivery of a Senior DSCR Enforcement Notice (which has not been withdrawn), the Account Bank will act on the instructions of the Cash Administrator, except in relation to the AssetCo Maintained Accounts following delivery of an AssetCo Enforcement Notice (which has not been withdrawn) when it shall act for the AssetCo Security Trustee, and in the relation to Issuer and ParentCo Accounts following an Issuer Enforcement Notice (which has not been withdrawn) when it shall act for the Issuer Security Trustee.

Under the Account Bank Agreement, each AssetCo will agree to appointment by ParentCo and the Issuer of the Account Bank as Account Bank in respect of ParentCo Accounts and the AssetCo Maintained Accounts, and to amounts deposited by it or on its behalf, or in which it has a beneficial interest, in ParentCo Accounts and the AssetCo Maintained Accounts being held in such Accounts subject to the terms of the Account Bank Agreement.

Each of AssetCo and ParentCo will agree that all amounts in ParentCo Accounts (other than the Distribution Account) are held on trust as deposits by or on behalf of each AssetCo in the Relevant Proportion and shall constitute a debt claim of the relevant AssetCo in an amount equal to the Relevant Proportion of amounts held in such accounts, and all amounts (other than those held on trust for the benefit of the relevant AssetCo) in the AssetCo Maintained Accounts are held as deposits by or on behalf of the relevant AssetCo to whom such Account has been designated and shall constitute a debt claim of the relevant AssetCo against the Account Bank in an amount equal to such deposit amounts.

The parties acknowledge that certain AssetCos and UPP (Broadgate Park) Limited have opened and maintained with the Account Bank the Damage Deposit Accounts and the Broadgate Park Receipts Account which shall be operated by such companies and not pursuant to the terms of the Account Bank Agreement.

### *Receipt of Enforcement Notices*

The Account Bank will agree, upon receipt of a Senior DSCR Enforcement Notice:

- (a) that it shall not permit any amount to be withdrawn from any of the Accounts without prior written consent of the Cash Administrator and shall hold all sums from time to time standing to the credit of the Accounts to the order of the Cash Administrator;
- (b) to pay or release all or any part of the sums from time to time standing to the credit of the Accounts only in accordance with the written instructions of the Cash Administrator;
- (c) to comply with the terms of any written notice or instructions in any way relating to, or purporting to relate to, the Accounts which it receives at any time from the Cash Administrator without any reference to or further authority from ParentCo or the Issuer as the case may be and without any enquiry by it as to the justification for or validity of such notice or instruction until notified by the Cash Administrator to the contrary;
- (d) that it shall send all statements and notices given by the Account Bank relating to the Accounts to the AssetCo Security Trustee (and copied to ParentCo); and
- (e) that it shall deliver up all sums (subject to exercise by the Account Bank of its rights of set-off) and copies of documents and records held by the Account Bank in respect of the relevant

Account to the Cash Administrator or as the Cash Administrator shall direct in such notice, provided however, that such notice shall be deemed not to apply to any document or record a copy of which the Account Bank is obliged not to release by any law or regulation.

The Account Bank will agree, upon receipt of written notice from the AssetCo Security Trustee that it has delivered an AssetCo Enforcement Notice to the relevant AssetCo (the "**Designated AssetCo**"):

- (a) that it shall not permit any amount to be withdrawn from any of the AssetCo Maintained Accounts in respect of the Designated AssetCo without prior written consent of the AssetCo Security Trustee or the Cash Administrator on behalf of the AssetCo Security Trustee, and shall hold all sums from time to time standing to the credit of the AssetCo Maintained Accounts to the order of the AssetCo Security Trustee or the Cash Administrator on behalf of the AssetCo Security Trustee or any Receiver appointed with respect to the AssetCo Security;
- (b) to pay or release all or any part of the sums from time to time standing to the credit of the AssetCo Maintained Accounts in respect of the Designated AssetCo only in accordance with the written instructions of the AssetCo Security Trustee or the Cash Administrator on behalf of the AssetCo Security Trustee or any Receiver appointed with respect to the AssetCo Security;
- (c) to comply with the terms of any written notice or instructions in any way relating to, or purporting to relate to, the AssetCo Maintained Accounts in respect of the Designated AssetCo which it receives at any time from the AssetCo Security Trustee or the Cash Administrator on behalf of the AssetCo Security Trustee or any Receiver appointed with respect to the AssetCo Security without any reference to or further authority from the Designated AssetCo and without any enquiry by it as to the justification for or validity of such notice or instruction until notified by the AssetCo Security Trustee or such Receiver to the contrary;
- (d) that it shall send all statements and notices given by the Account Bank relating to the AssetCo Maintained Accounts in respect of the Designated AssetCo to the AssetCo Security Trustee (and copied to ParentCo and the Cash Administrator); and
- (e) that it shall deliver up all sums (subject to exercise by the Account Bank of its rights of set-off) and copies of documents and records held by the Account Bank in respect of the AssetCo Maintained Accounts in respect of the Designated AssetCo to the AssetCo Security Trustee or the Cash Administrator on behalf of the AssetCo Security Trustee or any Receiver appointed with respect to the AssetCo Security or as the AssetCo Security Trustee or any such Receiver shall direct in such notice, provided however that such notice shall be deemed not to apply to any document or record a copy of which the Account Bank is obliged not to release by any law or regulation,

**provided that** the liability of the AssetCo Security Trustee pursuant to any of the provisions of Account Bank Agreement for the indemnification, remuneration and payment of out-of-pocket expenses of the Account Bank shall be limited to amounts for the time being held by the AssetCo Security Trustee on the trusts contained in the AssetCo Security Documents and available for such purpose and shall in all cases be subject to the priority of payment provisions set out in the AssetCo Debenture.

The Account Bank will agree, upon receipt of written notice from the Issuer Security Trustee that it has delivered to the Issuer an Issuer Enforcement Notice:

- (a) that it shall not permit any amount to be withdrawn from any of the Accounts without prior written consent of the Issuer Security Trustee and shall hold all sums from time to time standing to the credit of the Accounts to the order of the Issuer Security Trustee or the Cash Administrator on behalf of the Issuer Security Trustee or any Receiver appointed with respect to the Issuer Obligor Security;
- (b) to pay or release all or any part of the sums from time to time standing to the credit of the Accounts only in accordance with the written instructions of the Issuer Security Trustee or the Cash Administrator on behalf of the Issuer Security Trustee at any time or times or any Receiver appointed with respect to the Issuer Obligor Security;
- (c) to comply with the terms of any written notice or instruction in any way relating to, or purporting to relate to, the Accounts which it receives at any time from the Issuer Security Trustee or the

Cash Administrator on behalf of the Issuer Security Trustee or any Receiver appointed with respect to the Issuer Obligor Security without any reference to, or further authority from ParentCo, the Issuer or any AssetCo and without any enquiry by it as to the justification for, or validity of, such notice or instruction until notified by the Issuer Security Trustee or such Receiver to the contrary;

- (d) that it shall send all statements and notices given by the Account Bank relating to the Accounts to the Issuer Security Trustee (and copied to the Issuer and ParentCo and the Cash Administrator); and
- (e) that it shall deliver up all sums (subject to exercise by the Account Bank of its rights of set-off) and copies of documents and records held by the Account Bank in respect of the relevant Account(s) to the Issuer Security Trustee or the Cash Administrator on behalf of the Issuer Security Trustee or any Receiver appointed with respect to the Issuer Obligor Security or as the Issuer Security Trustee or any such Receiver shall direct in such notice, provided however that such notice shall be deemed not to apply to any document or record a copy of which the Account Bank is obliged not to release by any law or regulation,

**provided that** the liability of the Issuer Security Trustee pursuant to any of the provisions hereof for the indemnification, remuneration and payment of out-of-pocket expenses of the Account Bank shall be limited to amounts for the time being held by the Issuer Security Trustee on the trusts contained in the Issuer Obligor Security Documents and available for such purpose and shall in all cases be subject to the Issuer Priority of Payments.

### ***General***

ParentCo and the Issuer shall at all times indemnify and keep indemnified the Account Bank on demand fully and effectively from and against all losses, liabilities, claims, actions, damages and for all proper costs and expenses (including proper legal fees and disbursements) incurred by the Account Bank in connection with the Account Bank Agreement but shall not extend to any losses, liabilities, claims, actions, damages, costs and expenses incurred by the Account Bank to the extent that the same arise from any breach by the Account Bank of its obligations under the Mandates or from any breach by the Account Bank of its duties hereunder or by reason of gross negligence, fraud, bad faith or wilful default by the Account Bank.

The Account Bank Agreement and all non-contractual or other obligations arising out of or in connection with it will be governed by English law.

### **Note Trust Deed**

On or before the Initial Issue Date, the Issuer and the Issuer Note Trustee, *inter alios*, will enter into the Note Trust Deed pursuant to which the Notes will be constituted. The Note Trust Deed will include the form of the Notes and contain a covenant from the Issuer to the Issuer Note Trustee to pay all amounts due under the Notes.

The Issuer Note Trustee will hold the benefit of that covenant on trust for itself and the Noteholders, Receiptholders and Couponholders in accordance with their respective interests. If, in the Issuer Note Trustee's opinion, there is a conflict between the interests between the holders of two or more Series or Tranches of Notes it shall have regard to the interests of the holders of the Series or Tranche then outstanding with the greatest Principal Amount Outstanding and will not have regard to the consequences of such exercise for the holders of other Tranches or Series or for individual Noteholders.

The Issuer, HoldCo and ParentCo will covenant with the Issuer Note Trustee that they will comply with the relevant covenants set out in the Common Terms Agreement. See the section entitled "*Issuer Transaction Documents – Common Terms Agreement*" for further details.

In addition, the Issuer, HoldCo and ParentCo will also represent and warrant to the Issuer Note Trustee in accordance with the relevant representations and warranties in the Common Terms Agreement. See the section entitled "*Issuer Transaction Documents – Common Terms Agreement*" for further details.

### ***Noteholder Voting Arrangements in respect of ISC Matters***

In relation to a Proposal Request that gives rise to an Entrenched Right in respect of which the Issuer is an Affected Issuer Secured Creditor, the Issuer Note Trustee shall convene a physical meeting of Noteholders. In relation to an ISC Voting Request in respect of Ordinary Voting Matters or Extraordinary Voting Matters or any other vote in respect of an ISC Matter (whether or not it also gives rise to an Entrenched Right in respect of which the Issuer is an Affected Issuer Secured Creditor necessitating the convening of a physical meeting of Noteholders), voting in respect of the Notes may be made by holders of the Notes in accordance with the following electronic voting procedures:

- (a) the Issuer Note Trustee will upon receipt of an ISC Voting Request distribute a copy of the ISC Voting Request and proposed resolution to the Qualifying Noteholders;
- (b) Qualifying Noteholders may vote on the proposed resolution within the Decision Period through the clearing systems;
- (c) the Principal Paying Agent, in the case of the Bearer Notes, and the Registrar, in the case of Registered Notes, will complete Block Voting Instructions (which shall be the only method of voting in respect of such matters) in respect of the votes cast by Qualifying Noteholders and will notify the Issuer Security Trustee and the Issuer accordingly;
- (d) only the Principal Amount Outstanding of Notes then owed to Noteholders that vote on a proposed resolution within the Decision Period will be counted towards the Quorum Requirement and the Qualifying Issuer Senior Debt of the Participating Qualifying Issuer Secured Creditors with such tranche being divided on a pound for pound basis between votes cast in favour and votes cast against; and
- (e) votes cast in favour and votes cast against will then be aggregated by the Issuer Security Trustee with the votes cast by the other Participating Qualifying Issuer Secured Creditors.

For a description of Noteholder voting mechanics in other circumstances, see the section entitled "*Terms and Conditions of the Notes - Condition 15 (Meetings of Noteholders, Modification, Waiver and Substitution)*".

### ***Indemnification of the Issuer Note Trustee***

The Note Trust Deed will contain provisions for indemnification of the Issuer Note Trustee, and for its relief from responsibility, including provisions relieving it from taking any action including taking proceedings against the Issuer and/or any other person unless indemnified and/or secured and/or prefunded to its satisfaction. The Issuer Note Trustee or any of its affiliates will be entitled to enter into business transactions with the Issuer, the other Issuer Obligors or any person or body corporate associated with the Issuer or Issuer Obligors without accounting for any profit resulting therefrom. Save as otherwise provided in the Conditions or any Issuer Transaction Document, the Issuer Note Trustee will only be required to take any action under or in relation to the Note Trust Deed, the Conditions or any other Issuer Transaction Document, if so directed by an Extraordinary Resolution of the holders of the then outstanding Notes or if so requested in writing by holders of at least 25 per cent. in nominal amount of the then outstanding Notes and in all cases if indemnified and/or secured and/or prefunded to its satisfaction.

### ***Directions, Duties and Liabilities***

Subject to Sections 750 and 751 of the Companies Act 2006, the Issuer Note Trustee shall not be liable to any person for any matter or thing done or omitted in any way in connection with or in relation to the Note Trust Deed or any other Issuer Transaction Document save in relation to its own gross negligence, wilful default or fraud.

### ***Governing law***

The Note Trust Deed and all non-contractual or other obligations arising out of or in connection with it will be governed by English law.

### ***Agency Agreement***

Pursuant to the Agency Agreement to be entered into between the Issuer Obligors, the Principal Paying Agent, Agent Bank, Transfer Agent, Registrar and Issuer Note Trustee provision will be made for, amongst other things, payment of principal and interest in respect of the Notes issued under the Programme.

The Issuer Obligors may revoke the appointment of any Agent (as defined in the section entitled "*Glossary of Defined Terms*") as their agent in relation to any Series of Notes by not less than 30 days' notice to that effect to such Agent and the Issuer Note Trustee provided, however, that in respect of any Series of Notes, in the case of a Required Agent, such revocation shall not be effective until a successor thereto has been appointed by the Issuer Obligors as their agent in relation to such Series of Notes in accordance with the terms of the Agency Agreement and (in the case of the Principal Paying Agent or the Registrar) **provided that** not less than 30 days' notice of such appointment has been given in accordance with the Conditions.

As used above a "**Required Agent**" means (if and for so long as any Bearer Notes are outstanding) a Principal Paying Agent, (if and for so long as any Registered Notes are outstanding) a Registrar, (if and for so long as any Floating Rate Notes or Indexed Notes are outstanding) an Agent Bank or Calculation Agent (as specified in the relevant Final Terms), a Paying Agent with a Specified Office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced to conform to, such Directive and if and for so long as any Notes are admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent, Transfer Agent or Registrar in any particular place) a Paying Agent, Transfer Agent and/or Registrar, as applicable, having its Specified Office in the place required by such listing authority, stock exchange and/or quotation system.

### *Governing law*

The Agency Agreement and any non-contractual obligations arising out of or in connection with it will be governed by English law.

### **Issuer Management Services Agreement**

On or before the Initial Issue Date, ParentCo, HoldCo and the Issuer will appoint URSL, on an exclusive basis, to provide corporate, management, transaction management and company secretarial services (the "**Services**") to each of them in connection with their legal and other obligations pursuant to the Issuer Transaction Documents.

The Services will consist of (i) the maintenance of accounting records, appointment of auditors, preparation of the management accounts, statutory accounts, VAT returns, tax schedules, corporate books, cash and payment management, treasury services and such things as may be necessary to ensure appropriate accounting procedures are in force, (ii) managing the Issuer Obligors' involvement in procedures provided for under the Issuer Transaction Documents, liaising as appropriate with the Monitoring Adviser and Issuer and AssetCo Security Trustee and with professional advisers in order to ensure compliance with the contractual obligations of the Issuer Obligors under the Issuer Transaction Documents and generally to ensure compliance with applicable law and regulation, and (iii) to the extent not discharged under the above, the provision of all usual company secretarial and general corporate services.

The Services will be provided by URSL in accordance with (i) all applicable law and good industry practice, (ii) the standards which would be expected of a skilled, experienced and competent provider of services similar to the Service, and (iii) the standards (to the extent relevant) expected by the Issuer Transaction Documents. URSL will also ensure that it has all the necessary resources and sufficient number of trained staff to provide the Services and to discharge its obligations with all reasonable due skill and care.

The agreement may be terminated by either URSL or by ParentCo (on behalf of itself or the other Issuer Obligors) by giving one year's notice in writing and in the case of URSL, for insolvency related events. On termination, URSL will be entitled to all costs that arise directly as a consequence of termination,

except where the termination by Parent Co on behalf of itself or the other Issuer Obligors) is attributable to the acts or omissions of URSL in discharging its obligations under the agreement. URSL's liability under the agreement for any one year will not exceed the annual fee for the year in which termination occurs.

The Issuer Management Services Agreement shall be governed by and construed in accordance with English law.

#### **Issuer Corporate Officer Agreement**

On or prior to the Initial Issue Date, each of the Issuer, HoldCo and ParentCo will enter in an agreement with Structured Finance Management Limited (the "**Issuer Corporate Officer Provider**") for the provision of an independent, United Kingdom resident director to the Issuer, HoldCo and ParentCo.

The Issuer Corporate Officer Agreement, including any non-contractual obligations arising out of or in connection with it, shall be governed by and shall be construed in accordance with English law.

#### ***Tax Deed of Covenant***

The obligations of the Issuer Obligors and AssetCos under the Transaction Documents are supported by the Tax Deed of Covenant, under which Student UK TopCo Limited, the Sponsor, the Issuer Obligors and AssetCos make certain representations, warranties and covenants in relation to tax matters for the benefit of the Trustees.

Pursuant to the terms of the Tax Deed of Covenant, each of the Sponsor, the Issuer Obligors and AssetCos make representations, warranties and covenants in relation to, among other things, the payment of tax by such companies, certain group tax matters (including making an application to HM Revenue and Customs for an advance pricing agreement in connection with certain intra-group transactions), contingent tax liabilities arising on certain intragroup transactions and VAT. Student UK TopCo Limited and the Sponsor will also make certain representations, warranties and covenants relating to tax matters affecting the Issuer and the Issuer Obligors, including in relation to secondary tax liabilities.

The Tax Deed of Covenant shall be governed by and construed in accordance with English law.

## DESCRIPTION OF THE ASSETCO DOCUMENTS

*The following is a summary of certain provisions of the documents relating to the AssetCo Documents and is qualified in its entirety by reference to the detailed provisions of the relevant documents.*

### **AssetCo On-Loan Agreements**

On or before the Initial Issue Date, the Issuer (as "**Issuer Lender**") and the AssetCo Security Trustee, will enter into an on-loan agreement with each AssetCo (as "**Borrower**") pursuant to which the proceeds of the Securities will be made available by the Issuer Lender as loans to each AssetCo (the "**AssetCo On-Loan Agreements**").

The loan amount shall be structured so that advances under the AssetCo On-Loan Agreements correspond to the relevant Borrower's Relevant Proportion of the principal amount of the Notes to be issued on the Initial Issue Date and so that the economic terms of the advance match the economic terms of the Notes (subject to any adjustment permitted under the terms of the AssetCo On-Loan Agreement).

### **Structure**

The Issuer Lender will make available the following Facilities to each Borrower in the agreed aggregate principal amount on the Initial Signing Date:

- (a) a committed fixed rate sterling term loan facility (the "**Tranche A Commitment**"); and
- (b) a committed index-linked sterling term loan facility (the "**Tranche B Commitment**").

A loan made under the Tranche A Commitment is a "**Tranche A Loan**". A loan made under the Tranche B Commitment is a "**Tranche B Loan**" (and together with the Tranche A Loan, the "**Loans**").

### **Purpose**

Advances under an AssetCo On-Loan Agreement are permitted to be used by a Borrower towards:

- (a) repayment of its Existing Indebtedness;
- (b) payment of fees, commissions, costs and expenses incurred in connection with the repayment of its Existing Indebtedness;
- (c) funding of the Sinking Fund Required Amount;
- (d) funding of its pro rata share of the DSRA Loan;
- (e) funding of the Opex Account held in the name of ParentCo on behalf of the Borrower; and
- (f) any other purpose the Issuer Lender and the Borrower may agree.

### **Conditions Precedent and Initial Utilisation**

The Issuer Lender is not obliged to make any advances under an AssetCo On-Loan Agreement unless and until the proceeds of the Notes issued on the Initial Issue Date have been paid to or to the order of the Issuer Lender. Immediately upon payment of the proceeds of the Notes, the Borrower shall borrow an amount under: the Tranche A Facility equal to the Tranche A Commitment and an amount under the Tranche B Facility equal to the Tranche B Commitment. Each such Facility shall be utilised by way of a single loan only.

### **Repayment**

On each Prefunding Date, a Borrower shall pay sufficient funds to the Issuer Lender in respect of:

- (a) the Tranche A Loan so as to ensure that when such payments are applied on the next succeeding Interest Payment Date, the outstanding Tranche A Loan will upon such application not exceed the amount set out opposite such date in column 2 of the Tranche A Repayment Profile (as set out in part 1, schedule 1 of the relevant AssetCo On-Loan Agreement) of the outstanding



Tranche A Loans as at close of business on the Initial Issue Date (as the same shall be adjusted from time to time to reflect any prepayment or reduction in accordance with the relevant AssetCo On-Loan Agreement); and

- (b) loans made available under the Tranche B Commitment (the "**Tranche B Loans**") so as to ensure that when such payments are applied on the next succeeding Interest Payment Date: (i) the outstanding Tranche B Loan will upon such application not exceed the amount set out opposite such date in column 2 of the Tranche B Repayment Profile (as set out in part 2, schedule 1 of the relevant AssetCo On-Loan Agreement and as the same shall be adjusted from time to time to reflect any prepayment or reduction in accordance with the relevant AssetCo On-Loan Agreement); and (ii) a payment is made in an amount equal to any amount of indexation payable in respect of the relevant Indexed Notes pursuant to Condition 7 (Indexation) in respect of such Interest Payment Date,

(each such date being a "**Repayment Date**").

All Loans (being the Tranche A Loans and the Tranche B Loans) under a Facility shall be repaid in accordance with the relevant Repayment Profile and, in any event, in full by the relevant Final Repayment Date. The Borrower may not reborrow any part of a Facility which is repaid.

### **Prepayment**

- (a) *Illegality* – if it becomes unlawful in any applicable jurisdiction for the Issuer Lender to perform any of its obligations contemplated by an AssetCo On-Loan Agreement or to fund, issue or maintain its participation in Loan, the Issuer Lender shall promptly notify the relevant Borrower and the AssetCo Security Trustee upon becoming aware of that event, upon the Issuer Lender notifying the relevant Borrower, the Commitments will be immediately cancelled; and the Borrower shall be required to repay the Loan on the Prefunding Date for value the last day of the then current Interest Period occurring after the Issuer Lender has notified the relevant Borrower or, if earlier, the date specified by the Issuer Lender in the notice delivered to the Borrower (being no earlier than the last day of any applicable grace period permitted by law) together with all amounts payable by the Issuer Lender in respect of the corresponding early redemption of the Relevant Corresponding Notes.
- (b) *Option* - each Borrower has the option to prepay, upon at least 10, and not more than 20 Business Days prior written notice to the Issuer Lender, the entire amount or any part of all Loans then outstanding on the Prefunding Date for value the last day of the Interest Period specified by the Borrower together with an amount equal to the amounts payable by the Issuer Lender in respect of the corresponding early redemption of the Corresponding Notes in an amount equal to the amount being so prepaid under this clause (as such amount shall be determined in accordance with Condition 8(d) of the Terms and Conditions) and together with accrued interest on the Loans (equal to the accrued interest on the Corresponding Notes being so redeemed) and as adjusted for indexation if applicable.
- (c) *Index Event* – upon the occurrence of an Index Event (as defined in Condition 8(e)(i) of the Terms and Conditions), each Borrower may, upon at least 10, and not more than 20 Business Days prior written notice to the Issuer Lender prepay the entire amount of the Tranche B Loan then outstanding on the Prefunding Date for value the last day of the Interest Period specified by the Issuer Lender at the principal amount outstanding under the Tranche B Loan on that date together with an amount equal to the amounts payable by the Issuer Lender in respect of the Corresponding Notes in an amount equal to the amount being so prepaid pursuant to this clause (as such amount shall be determined in accordance with Condition 8(e)(i)) of the Terms and Conditions and together with accrued interest on the amount of the Loans (equal to the accrued interest on the Corresponding Notes being so redeemed) and as adjusted for indexation if applicable).
- (d) *Taxation* – if the Issuer Lender satisfies the Issuer Note Trustee that either the Issuer Lender or a Borrower shall be obliged to make a deduction or withholding of payments as described in Condition 8(e)(ii) of the Terms and Conditions, the relevant Borrower may, after having made reasonable endeavours to mitigate the effect, upon at least 10, and not more than 20, Business Days prior written notice to the Issuer Lender, prepay the entire amount of the Loans then

outstanding on the Prefunding Date for value the last day of the Interest Period specified by the Issuer Lender at the principal outstanding under the Loans on that date together with an amount equal to the amounts payable by the Issuer Lender in respect of the corresponding early redemption of the Corresponding Notes in an amount equal to the amount being so prepaid pursuant to this clause (as such amount shall be determined in accordance with Condition 8(e)(ii) of the Terms and Conditions and together with accrued interest on the amount of the Loans (equal to the accrued interest on the Notes being so redeemed) and as adjusted for indexation if applicable).

- (e) Project Document Termination – following termination of the Project Documents which give rise to compensation payable by the relevant University an amount equal to the Compensation Payment Amount shall become immediately due and the Compensation Payment Amount shall become immediately payable by the Borrower on the day on which the Borrower receives such Compensation Payment Amount. "**Compensation Payment Amount**" means at any time the Principal On-Loan Amount Outstanding, together with the amount payable in respect of Tranche B Loan on account of indexation, and all other amounts accrued under that AssetCo On-Loan Agreement (if positive) and/or, for each of UPP (Broadgate Park) Holdings Limited, UPP (Nottingham) Limited and UPP (Oxford Brookes) Limited where such termination of the Project Documents is due to a breach by the relevant University of the terms of such Project Documents or constitutes a unilateral termination by the University, if higher, an amount calculated with respect to such Principal On-Loan Amount Outstanding in accordance with Condition 8(d)(i) (in the case of Tranche A Loans) with respect to the Corresponding Notes or Condition 8(d)(iii) (in the case of Tranche B Loans) with respect to the Corresponding Notes, as applicable and accrued interest on the amount of the Loans (equal to the accrued interest on the Notes being so redeemed).

Repayment, prepayment or cancellation of all or part of a Loan is not permitted in any other circumstances other than as set out in (a) to (e) above. If all or part of a Loan is prepaid, all Ongoing Facility Fees shall also accrue and become payable at such time.

#### *Effect of cancellation and Prepayment*

- (a) If a Tranche A Commitment or Tranche B Commitment is reduced as a consequence of it becoming unlawful in any applicable jurisdiction for the Issuer Lender to perform any of its obligations contemplated by an AssetCo On-Loan Agreement or to fund, issue or maintain its participation in a Loan, the amount of the relevant repayment instalment for each relevant Repayment Date (the "**Repayment Instalment**") falling after that cancellation will reduce pro rata by the amount cancelled.
- (b) If a Loan is prepaid in part as a consequence of: (i) it becoming unlawful in any applicable jurisdiction for the Issuer Lender to perform any of its obligations contemplated by an AssetCo On-Loan Agreement or to fund, issue or maintain its participation in a Loan; (ii) a Borrower receiving any Termination Proceeds (as defined in Condition 8(f) of the Terms and Conditions); or (iii) the Issuer Lender being required to redeem or make any payments of interest, principal or other amounts in respect of the Notes pursuant to the Conditions and there is not otherwise an obligation for a Borrower to make a corresponding payment under the relevant AssetCo On-Loan Agreement, such prepayment shall be applied on a pro-rata basis across each Repayment Instalment and the amount of the relevant Repayment Instalment for each relevant Repayment Date falling after that prepayment will reduce pro rata by the amount of the Loan prepaid.

#### *Notes*

If the Issuer Lender is required to redeem or make payments of interest, principal or other amount in respect of Corresponding Notes pursuant to the Conditions and there is no obligation for a Borrower to make a corresponding payment under the relevant AssetCo On-Loan Agreement, the Issuer Lender shall notify the relevant Borrower (by not more than 15 and not less than 3 Business Days notice prior to the date upon which such payment is to be made by the Issuer Lender) of the applicable circumstances requiring such payment (in connection with the Corresponding Notes) specifying the date and the amount of such payment to be met by the Borrower prior to the date on which such payment is to be made by the Issuer Lender and the Borrower shall prepay an amount which is the lesser of the amount that is (i) equal

to the amount due under the Corresponding Notes as specified in such notice to the Borrower; and (ii) the Surplus Cash attributable to the Borrower in the Interest Period in which such payment falls due.

If the Issuer Lender cancels all or some of the Notes in accordance with Condition 8(k) of the Terms and Conditions then such cancellation shall be deemed to be a prepayment of the Principal Amount Outstanding under the relevant AssetCo On-Loan Agreement in the Relevant Proportion which corresponds to such Corresponding Notes which are cancelled together with accrued interest and indexation amounts provided that any unpaid Ongoing Facility Fee shall accrue to the date of cancellation of the Corresponding Notes and shall be payable by the relevant Borrower to the Issuer Lender on such date.

### ***Interest***

- (a) The rate of interest applicable to a Tranche A Loan is the rate of interest which is equal to the cost of funds of the Issuer Lender where such funds are sourced from the issue of the Fixed Rate Notes as notified by the Issuer Lender to the relevant Borrower on the Initial Issue Date. Such rate of interest may be adjusted in circumstances where the amount of interest is insufficient to meet the funding cost payable by the Issuer Lender in respect of the Relevant Proportion of the corresponding Notes.

Such rate of interest may also be adjusted where following redemption of any of the Corresponding Notes prior to their scheduled redemption date, the funding cost of the Issuer Lender in respect of the remaining Corresponding Notes differs from the funding cost of the Issuer Lender in respect of the Corresponding Notes on the Initial Issue Date.

- (b) The rate of interest applicable to a Tranche B Loan is the rate of interest which is equal to the cost of funds of the Issuer Lender where such funds are sourced from the issue of the Indexed Notes as notified by the Issuer Lender to the relevant Borrower on the Initial Issue Date. Such rate of interest may be adjusted to reflect indexation in accordance with Condition 7 (Indexation) of the Terms and Conditions.

The Issuer Lender is required to notify a Borrower of any such interest rate adjustments. Default interest is payable on unpaid amounts under the AssetCo On-Loan Agreements at the rate equal to the default rate applicable to the relevant Corresponding Notes.

### ***Interest Periods***

The first Interest Period is from the Initial Issue Date to and including the next Interest Payment Date. Each subsequent Interest Period runs from the day succeeding such Interest Payment Date to and including the next Interest Payment Date. The last Interest Period shall end on the Final Repayment Date. If the last day of an Interest Period is not a Business Day, the last day of such period shall be determined in accordance with Condition 6(b) of the Terms and Conditions.

### ***Indemnities***

Each Borrower is required:

- (a) within 3 Business Days of demand by the Issuer Lender, to indemnify the Issuer Lender against any cost, loss or liability incurred by it as a result of: (i) the occurrence of an AssetCo Event of Default; (ii) a failure by the relevant Borrower to pay any amount due under an AssetCo Finance Document (together being the relevant AssetCo On-Loan Agreement, the relevant AssetCo Security Documents, any documentation entered into or to be entered into pursuant to or in connection with the relevant AssetCo Hedge Agreement and any other relevant document designated as such by the Issuer Lender and the relevant Borrower) on its due date; or (iii) the Loans (or any part of a Loan) not being prepaid in accordance with a notice of prepayment given by a Borrower;
- (b) to promptly indemnify the Issuer Lender against any cost, loss or liability incurred by the Issuer Lender in connection with or arising out of the relevant Project including but not limited to those incurred in connection with any litigation, arbitration or administrative proceedings or regulatory enquiry concerning the Project) unless caused by the gross negligence or wilful misconduct of the Issuer Lender;

- (c) to indemnify the Issuer Lender against:
- (i) any claim, loss, cost or expense (including legal fees) or liability whether or not reasonably foreseeable which the Issuer Lender may sustain or incur as a consequence of the occurrence of any default by the relevant Borrower in the performance of any of the obligations expressed to be assumed by it in the relevant AssetCo On-Loan Agreement;
  - (ii) any loss (other than loss caused by reason of gross negligence or wilful default by the Issuer Lender) or loss of profit or cost the Issuer Lender may suffer or incur as a result of the Issuer Lender funding or making arrangements to fund a Loan requested by it but not made because of the provisions of the relevant AssetCo On-Loan Agreement;
  - (iii) any costs and expenses of any receiver appointed to the Issuer Lender as a result of default by the Issuer Lender caused by a breach of its obligations under its AssetCo Finance Documents;
  - (iv) any termination payment required to be made by the Issuer Lender under any AssetCo Hedge Agreement arising as a result of any failure by the Issuer Lender to comply with the Issuer Lender's obligations thereunder where such failure is caused by any breach of its obligations under the AssetCo Documents; and
  - (v) any amount payable by the Issuer Lender to the Issuer Secured Creditors pursuant to the Issuer Transaction Documents.

#### ***Representations and Warranties***

Each On-Loan Agreement incorporates the representations and warranties of the AssetCos set out in the Common Terms Agreement as summarised in the section entitled "*Issuer Transaction Documents – Common Terms Agreement – Representations and Warranties of the AssetCos*" hereto.

#### ***Borrower covenants***

Each Borrower will also undertake to the AssetCo Security Trustee and the Issuer Lender for so long as any amount is outstanding under the AssetCo Finance Documents the covenants of the AssetCos as set out in the Common Terms Agreement and as summarised in the section entitled "*Issuer Transaction Documents – Common Terms Agreement – AssetCo Covenants*"

#### ***Events of Default and Acceleration***

Upon and at any time following the occurrence of an AssetCo Event of Default which is continuing, the AssetCo Security Trustee may by notice to the relevant Borrower: (i) immediately cancel the Commitments; (ii) declare all or part of the Loans (together with accrued interest and all other amounts accrued or outstanding under the AssetCo Finance Documents immediately due and payable; (iii) declare that all or part of the Loans be immediately payable on demand; and (iv) exercise all rights, remedies, powers or discretions under the AssetCo Finance Documents.

Any amounts payable upon an acceleration shall equal the principal amount of the Relevant Proportion of the Corresponding Notes determined in accordance with Condition 8 (Redemption, Purchase and Calculation) and Condition 11 (Issuer Events of Default) of the Terms and Conditions together with any other amounts (including, without double counting, accrued interest) due in connection with the redemption of such Relevant Proportion of the Corresponding Notes.

#### ***Governing law***

The Common Terms Agreement provides that each AssetCo On-Loan Agreement and all non-contractual obligations arising out of or in connection with such agreements shall be governed by English law.

## AssetCo Security Documents

### *AssetCo Debentures*

Each AssetCo will, on or before the Initial Signing Date, enter into an AssetCo Debenture with, among others, the AssetCo Security Trustee (for itself and on behalf of the other AssetCo Secured Creditors). Pursuant to an AssetCo Debenture, each AssetCo will secure its obligations in respect of its AssetCo Secured Liabilities by granting in favour of the AssetCo Security Trustee, for itself and on behalf of the other AssetCo Secured Creditors, the following Security:

- (a) a first fixed charge of:
  - (i) its real property;
  - (ii) its tangible moveable property;
  - (iii) the Benefit of its AssetCo Maintained Accounts;
  - (iv) its insurance policies; and
  - (v) its monetary claims including all Related Rights;
- (b) an assignment by way of security of:
  - (i) the Benefit of (severally) any agreements, contracts, deeds, undertakings, guarantees, warranties or other documents entered into by or given to or to be entered into or to be given to it at any time in respect of its real property and all documents in existence at the date of its AssetCo Debenture or thereafter necessary to enable the AssetCo Security Trustee (for itself and on behalf of the other AssetCo Secured Creditors) to perfect the same and all the proceeds of any payment of any claims, awards or judgments paid or payable to it under or in respect of the same (including but without limitation all liquidated and ascertained damages payable to it under such document) and all its rights or remedies already in existence or thereafter arising under such document;
  - (ii) the Benefit of its Assigned Agreements and all the proceeds of any payment of any claims, awards, judgments, sums or damages arising out of such agreements payable to it thereunder and all its rights or remedies in existence at the date of the AssetCo Debenture or thereafter in existence arising thereunder;
  - (iii) the Benefit of all tenant covenants, and of all landlord covenants and of all covenants, agreements, undertakings or obligations entered into or to be entered into by any other party to any of its Assigned Agreements or to any licences, deeds, rent deposit agreements, or other deeds or documents supplemental or collateral to any lease and of all guarantees or indemnities in any of the aforesaid;
  - (iv) the Benefit of all rights and claims to which it is at the date of the AssetCo Debenture or may thereafter become entitled in relation to its real property (including those against all persons who at the date of its AssetCo Debenture or may at any time be in occupation of its real property under any of its Assigned Agreements and all guarantors and sureties for the obligations of such persons);
  - (v) the Benefit of all guarantees, warranties and representations given or made at the date of its AssetCo Debenture or thereafter by, and any rights or remedies against, all or any of the designers, builders, contractors, professional advisers, sub contractors, manufacturers, suppliers and installers of any fixtures including, without limitation, any such guarantees, warranties and representations given pursuant to or in connection with its Assigned Agreements;
  - (vi) all rights to which it is at the date of its AssetCo Debenture or may thereafter become entitled in respect of the proceeds of any order of the court made pursuant to Sections 238(3), 239(3) or 244 of the Insolvency Act;

- (vii) all rights and claims in relation to its Assigned Accounts and the proceeds of such Assigned Accounts;
  - (viii) all chattels on its real property now or at any time hereafter hired, leased or rented by it to any other person together in each case with the Benefit of the related hiring, leasing or rental contract and any guarantee, indemnity or other security for the performance of the obligations of any person under or in respect of such contract; and
  - (ix) the Benefit of all present and future licences held in connection with the business carried on upon its real property or any part thereof and also the right to recover and receive all compensation which may at any time become payable to it under the Licensing Act 1964; and
- (c) a first floating charge, over all its present and future assets and undertakings.

*UPP Broadgate Park AssetCo Debenture*

The AssetCo Debenture relating to UPP Broadgate Park also includes a fixed charge in favour of the AssetCo Security Trustee over all shares held by UPP Broadgate Park in UPP (Broadgate Park) Limited from time to time (the "**Broadgate Shares**") and including all dividends, interest and other monies payable in respect of the Shares and all other Related Rights (whether derived by way of redemption, bonus, preference, option, substitution, conversion or otherwise).

*Trust*

Subject to and in accordance with the terms of each AssetCo Debenture, the Charged Assets will be held on trust by the AssetCo Security Trustee for itself and on behalf of the other AssetCo Secured Creditors.

*Enforcement of Security*

The Security created by or pursuant to the AssetCo Debentures is immediately enforceable at any time after:

- (a) the delivery of an AssetCo Enforcement Notice in respect of the relevant AssetCo (which may only be delivered in respect of an AssetCo Event of Default that is continuing) that has not been withdrawn; or
- (b) the presentation of a petition or an application for the making of an administration order in relation to the relevant AssetCo; or
- (c) written notice of intention to appoint an administrator of the relevant AssetCo or the filing of such a notice with the court, in each case, from any person who is entitled to do so.

*Operation after an Enforcement Event*

After the delivery of an AssetCo Enforcement Notice in respect of the relevant AssetCo (which has not been withdrawn):

- (a) the relevant AssetCo shall not be entitled to receive, withdraw or otherwise instruct the transfer any credit balance from time to time on its AssetCo Maintained Accounts except with the prior written consent of the AssetCo Security Trustee and/or in accordance with the Cash Administration Agreement;
- (b) the AssetCo Security Trustee shall be entitled without notice to apply, transfer or set off any or all of the credit balances from time to time on the relevant AssetCo Maintained Accounts in or towards the payment or other satisfaction of all or part of the relevant AssetCo's Secured Liabilities in accordance with Clause 17 (Application of Monies) of the relevant AssetCo Debenture;
- (c) the relevant AssetCo shall not, except with the prior written consent of the AssetCo Security Trustee, be entitled to withdraw or otherwise transfer the proceeds of the realisation of any of its Monetary Claims standing to the credit of its Insurance Proceeds Account; and

- (d) the relevant AssetCo shall hold such monies upon trust for the AssetCo Security Trustee pending payment to the AssetCo Security Trustee for application in accordance with Clause 17 (Application of Monies) of its AssetCo Debenture and such AssetCo waives any right it may have to require that any such monies are applied in reinstatement of any part of its Charged Assets.

In relation to the AssetCo Debenture granted by UPP Broadgate Park, after the delivery of an AssetCo Enforcement Notice in respect of UPP Broadgate Park (which has not been withdrawn), the AssetCo Security Trustee may, at its discretion (in the name of UPP Broadgate Park or otherwise and without any further consent or authority from it):

- (a) apply all dividends, interest and other monies arising from the Broadgate Shares in accordance with Clause 17 (Application of Monies) of such AssetCo Debenture;
- (b) transfer the Broadgate Shares (whether with or without the voting rights in relation to the same) into the name of such nominee(s) of the AssetCo Security Trustee as it shall require; and
- (c) exercise (or refrain from exercising) the powers and rights conferred on or exercisable by the legal or beneficial owner of the Broadgate Shares (excluding the voting rights in relation to the same), including the right, in relation to any company whose shares or other securities are included in the Broadgate Shares, to concur or participate in:
  - (i) the reconstruction, amalgamation, sale or other disposal of UPP Broadgate Park or any of its assets or undertaking (including the exchange, conversion or reissue of any shares or securities as a consequence thereof);
  - (ii) the exercise, renunciation or assignment of any right to subscribe for any shares or securities,
  - (iii) in each case in the manner and on the terms the AssetCo Security Trustee thinks fit, and the proceeds of any such action shall form part of the Broadgate Shares.

Following the delivery of an AssetCo Enforcement Notice in respect of UPP Broadgate Park which has not been withdrawn, the AssetCo Security Trustee may, at its discretion, (in the name of UPP Broadgate Park or otherwise and without any further consent or authority from it), exercise (or refrain from exercising) any voting rights in respect of the Broadgate Shares.

#### *Application of Monies*

All monies received or recovered by the AssetCo Security Trustee or any Receiver pursuant to the exercise of any power under an AssetCo Debenture and each AssetCo Mortgage or the powers conferred by it shall (subject to the claims of any person having prior rights thereto and by way of variation of the provisions of the LPA) be applied in accordance with Clause 17 (Application of Monies) of the relevant AssetCo Debenture.

#### *Continuing Security*

The Security created by or pursuant to each AssetCo Debenture and any AssetCo Mortgage shall remain in full force and effect as a continuing Security for the relevant Secured Liabilities unless and until discharged by the AssetCo Security Trustee.

#### *Liability*

None of the AssetCo Security Trustee, its nominee(s) or any Receiver shall be liable by reason of:

- (a) taking any action permitted by an AssetCo Debenture or any AssetCo Mortgage; or
- (b) any neglect or default in connection with the Charged Assets; or
- (c) taking possession of or realising all or any part of the Charged Assets,

except in the case of gross negligence or wilful default upon its part.

### *Waiver of defences*

The obligations assumed, and the Security created, by the relevant AssetCo under its AssetCo Debenture and any relevant AssetCo Mortgage, and the relevant Collateral Rights, will not be affected by any act, omission, matter or thing which would reduce, release or prejudice any of its obligations under, or the Security created by, its AssetCo Debenture and any AssetCo Mortgage (without limitation and whether or not known to the relevant AssetCo or any AssetCo Secured Creditor) including:

- (a) any time, waiver or consent granted to, or composition with any person;
- (b) the taking, variation, compromise, exchange, renewal or release of, or refusal or neglect to perfect, take up or enforce, any rights against, or Security over assets of, any person or any non-presentation or non-observance of any formality or other requirement in respect of any instrument or any failure to realise the full value of any Security;
- (c) any incapacity or lack of power, authority or legal personality of or dissolution or change in the members or status of any person;
- (d) any amendment, novation, supplement, extension (whether of maturity or otherwise) or restatement (in each case, however fundamental and of whatever nature, and whether or not more onerous) or replacement of an AssetCo Document or any other document or Security or of the AssetCo Secured Liabilities;
- (e) any unenforceability, illegality or invalidity of any obligation of any person under any AssetCo Document or any other document or Security or of the AssetCo Secured Liabilities; and
- (f) any Insolvency Event.

### *Redemption of Security*

Upon the AssetCo Secured Liabilities being discharged in full and the AssetCo Security Trustee having no further actual or contingent obligation under any of the AssetCo Documents the AssetCo Security Trustee shall, at the request and cost of each AssetCo, release and cancel the Security constituted by each AssetCo Debenture and procure the reassignment to the relevant AssetCo of the property and assets assigned to the AssetCo Security Trustee pursuant to its AssetCo Debenture, in each case subject to Clause 21.2 (Avoidance of Payments) of each AssetCo Debenture and without recourse to, or any representation or warranty by, the AssetCo Security Trustee or any of its nominees.

### *Governing Law*

Each AssetCo Debenture and any non-contractual obligations or claims arising out of or in connection with it are governed by English law.

### *AssetCo Mortgage*

Each AssetCo will enter into an AssetCo Mortgage in respect of any land in England and Wales vested in it on the Initial Signing Date or thereafter. Each AssetCo Mortgage is supplemental to a Debenture and incorporates the majority of terms of each AssetCo Debenture.

Pursuant to its Mortgage, the relevant AssetCo will secure its obligations in respect of its AssetCo Secured Liabilities by charging with full title guarantee in favour of the AssetCo Security Trustee, for itself and on behalf of the other AssetCo Secured Creditors, by way of the legal mortgage the property specified in the schedule to its AssetCo Mortgage and any buildings, fixtures, fittings, fixed plant or machinery from time to time situated on or forming part of such property and all of its Related Rights (the "Mortgaged Property").

### *Application to Land Registry*

Pursuant to its AssetCo Mortgage, the relevant AssetCo consents to an application being made to the Land Registry to enter a restriction (in the form set out in its AssetCo Mortgage) in the Proprietorship register of any property which is or is required to be registered forming part of the Mortgaged Property.



### *Redemption of Security*

Upon the AssetCo Secured Liabilities being discharged in full and the Issuer and the AssetCo Security Trustee having no further actual or contingent obligation to make advances or provide other financial accommodation to the relevant AssetCo, the AssetCo Security Trustee shall, at the request and cost of the relevant AssetCo, release and cancel the Security constituted by the relevant AssetCo's Mortgage subject to Clause 4.2 (Avoidance of Payments) of the relevant Mortgage and without recourse to, or any representation or warranty by, the AssetCo Security Trustee or any of its nominees.

### *Governing Law*

Each AssetCo Mortgage and any non-contractual obligations or claims arising out of or in connection with it are governed by English law.

### *UPP (Broadgate Park) Limited Debenture*

UPP (Broadgate Park) Limited will enter into a debenture in substantively the same form as the AssetCo Debentures as security for all present and future obligations and liabilities (whether actual or contingent) of UPP (Broadgate Park) Limited to any AssetCo Secured Creditor under each AssetCo Document to which it is a party. The provisions described above in relation to the AssetCo debentures will apply on an equivalent basis to the UPP (Broadgate Park) Limited Debenture.

### **AssetCo Guarantee**

On or before the Initial Issue Date, for the purposes of guaranteeing obligations due, owing or incurred to the AssetCo Security Trustee or any of the other AssetCo Secured Creditors by each AssetCo under the AssetCo Documents and the AssetCo Guarantee, each AssetCo (each, a "**Guarantor**") and the AssetCo Security Trustee will enter into the AssetCo Guarantee.

### *Guarantor liability and recourse*

Subject to the limited recourse provision set out in clause 2.2 of the AssetCo Guarantee, each Guarantor irrevocably and unconditionally, joint and severally with each other Guarantor:

- (a) guarantees to the AssetCo Security Trustee due and punctual performance by each other Guarantor of the Guaranteed Obligations;
- (b) undertakes with the AssetCo Security Trustee that when another Guarantor does not pay any amount when due under or in connection with any AssetCo Document, that Guarantor shall immediately on demand pay that amount as if it was the principal obligor; and
- (c) agrees with the AssetCo Security Trustee that it will be liable as a principal debtor and primary obligor to indemnify the AssetCo Security Trustee against any cost, loss or liability it incurs as a result of a Guarantor not performing or discharging any of its obligations or liabilities in respect of the guaranteed obligations.

The guarantee of each AssetCo shall be limited in recourse to the Guarantor's Surplus Cash.

### *Continuing guarantee*

The AssetCo Guarantee is a continuing guarantee and will extend to the ultimate balance of the Guaranteed Obligations, regardless of any intermediate payment or discharge in whole or part.

### **Reinstatement**

If the AssetCo Guarantee is discharged or released or there is an arrangement made by the AssetCo Security Trustee on the faith of any payment, security or other disposition which is avoided or must be restored in insolvency, liquidation, administration or otherwise, without limitation, then the liability of each Guarantor under the AssetCo Guarantee will continue or be reinstated as if such discharge, release or arrangement had not occurred.

### ***Waiver of guarantor defences***

Each Guarantor will agree in the AssetCo Guarantee to the waiver of certain defences in relation to its obligation to make payments thereunder and agree that the AssetCo Guarantee shall extend to any (however fundamental) variation, increase, extension or addition of or to any AssetCo Documents and/or Issuer Transaction Documents.

### ***Guarantor payments***

All payments to be made by a Guarantor under the AssetCo Guarantee shall be made in accordance with the Common Terms Agreement as summarised in the section entitled "*Issuer Transaction Documents – Common Terms Agreement – Cash Management and Payment of Priorities*".

### ***Rights against other Guarantors***

Until all amounts which may be or become payable by the Guarantors under or in connection with the AssetCo Documents have been irrevocably paid in full and unless the AssetCo Security Trustee otherwise directs, each Guarantor will be prohibited exercising any rights which it may have by reason of performance by it of its obligations under the AssetCo Documents or by reason of any amount being payable, or liability arising, under the AssetCo Guarantee to (i) be indemnified by another Guarantor, (ii) claim any contribution from any other Guarantor of any other Guarantor's obligations under the AssetCo Documents, (iii) to take the benefit (in whole or in part and whether by way of subrogation or otherwise) of any rights of the AssetCo Security Trustee under the AssetCo Documents or of any other guarantee or Security taken pursuant to, or in connection with, the AssetCo Documents by the AssetCo Security Trustee, (iv) to bring legal or other proceedings for an order requiring any other Guarantor to make any payment, or perform any obligation, in respect of which any Guarantor has given a guarantee, undertaking or indemnity under the AssetCo Guarantee, (v) to exercise any right of set-off against any other Guarantor; and/or (v) to claim or prove as a creditor of any other Guarantor in competition with the AssetCo Security Trustee.

### ***Governing law***

The AssetCo Guarantee and all non-contractual obligations arising out of or in connection with it shall be governed by English law.

## SUMMARY OF SECURITY AND ENFORCEMENT RIGHTS

The following summary is intended to provide an overview of the security and enforcement rights and is qualified by the more detailed descriptions of the Transaction Documents set out in the section entitled "*Description of the Issuer Transaction Documents*" and the section entitled "*Description of the AssetCo Documents*".

### Security

#### *Issuer Obligor Security*

The Issuer Security Trustee will hold the following security for and on behalf of the Noteholders, the Hedge Counterparties, any holder of Private Placement Notes and the other Issuer Secured Creditors.

- (a) a share charge in respect of all shares in ParentCo will be granted by HoldCo in favour of the Issuer Security Trustee together with a floating charge over all of the assets of HoldCo;
- (b) pursuant to a ParentCo Debenture granted by ParentCo in favour of the Issuer Security Trustee including:
  - (i) an account charge in respect of all accounts held by ParentCo;
  - (ii) share charges in respect of all shares in all of the AssetCos and the Issuer granted by ParentCo;
  - (iii) a floating charge over all of the assets of ParentCo.
- (c) Security granted by the Issuer in favour of the Issuer Security Trustee pursuant to the Issuer Deed of Charge including:
  - (i) assignments by way of security of all Transaction Documents;
  - (ii) assignment of all receivables of the Issuer;
  - (iii) a floating charge over all of the assets of the Issuer;
  - (iv) security over the Issuer's beneficial interest in the AssetCo Security as described in "*AssetCo Security*" below.

Each of HoldCo and ParentCo will guarantee the obligations of the Issuer under the Notes on a limited recourse basis to the extent of the assets subject to the Issuer Obligor Security.

#### *AssetCo Security*

Each AssetCo will grant as security for its obligations to the Issuer (i) under its On-Loan; (ii) under any AssetCo Hedge Agreement entered into by the AssetCo with the Issuer; and (iii) under the AssetCo Guarantee, as described in the section entitled "*AssetCo Transaction Documents – AssetCo Security Documents*".

#### *UPP (Broadgate Park) Limited Security*

UPP (Broadgate Park) Limited will also get certain security for its obligations as described in the section entitled "*AssetCo Transaction Documents – UPP (Broadgate Park) Limited Debenture*" hereto.

### Enforcement Rights and Limitations

#### *AssetCo Event of Default*

Each of the AssetCo On-Loan Agreements will incorporate the agreed representations, covenants (including financial covenants) and AssetCo's Events of Default set out in the Common Terms Agreement.

### *Non-Performing AssetCo Enforcement Rights*

Upon the occurrence of an AssetCo Event of Default in respect of an AssetCo (a "**Non-Performing AssetCo**"), the Issuer Security Trustee and AssetCo Security Trustee may, or shall if instructed by the Issuer Secured Creditors, enforce (or direct enforcement of) any of the rights in respect of the shares in that Non-Performing AssetCo (and other rights, property or assets of an Issuer Obligor relating to such Non-Performing AssetCo), the AssetCo On-Loan Agreements, the AssetCo Security, project specific step-in rights and full recourse claims under the AssetCo Guarantee given by that AssetCo (the "**Non-Performing AssetCo Enforcement Rights**").

### *Senior DSCR Enforcement Event*

If a Senior DSCR Enforcement Event occurs, the Issuer Security Trustee and the AssetCo Security Trustee may, or shall if instructed by the Issuer Secured Creditors:

- (a) enforce the share charges granted by HoldCo over ParentCo;
- (b) enforce the share charges granted by ParentCo over (i) any AssetCo and (ii) the Issuer and in respect of each AssetCo that is a Performing AssetCo (as defined below) enforce the Issuer Obligor Security in respect of other rights, property or assets of an Issuer Obligor relating to such Performing AssetCo; and
- (c) in respect of each Non-Performing AssetCo, take any of the enforcement actions pursuant to Non-Performing AssetCo Enforcement Rights.

### *Issuer Event of Default*

Following an Issuer Event of Default, the Issuer Note Trustee and the other Issuer Secured Creditors (acting in accordance with the Issuer Deed of Charge) shall be entitled to instruct the Issuer Security Trustee and the AssetCo Security Trustee to take enforcement action described in "Non-Performing AssetCo Enforcement Rights" (following delivery of an AssetCo Enforcement Notice) and "Senior DSCR Enforcement Event" (following delivery of a Senior DSCR Enforcement Notice) above and in addition (following delivery of an Issuer Enforcement Notice) to enforce all of the Issuer Obligor Security. In addition the Issuer Security Trustee may, or if directed by a majority of Qualifying Issuer Secured Creditors who represent at least 25 per cent. of the aggregate Outstanding Principal Amount of Qualifying Issuer Senior Debt shall, accelerate (or direct the Issuer Note Trustee to accelerate) the Notes.

### *Monitoring Adviser and Enforcement*

The exercise of enforcement rights in relation to any AssetCo will be subject to the terms of, and recommendations made by, the Monitoring Adviser pursuant to the terms of the Monitoring Services Agreement and acting in accordance with the Monitoring Standard. Following an AssetCo Event of Default which is continuing, the Monitoring Adviser must as soon as reasonably practicable provide recommendations to the Issuer and the Security Trustees regarding, without limitation (i) taking any Enforcement Action including enforcement of the AssetCo Security; (ii) accelerating claims against the relevant Non-Performing AssetCo including pursuant to the AssetCo Guarantee (iii) the exercise of step in rights under the Project Documents or (iv) any sale of shares of a Non-Performing AssetCo. Implementation of any such proposed Enforcement Action shall be subject to approval of a relevant MA Proposal Request relating to such ISC Direction Matter. See the section entitled "*Description of the Issuer Transaction Documents – Monitoring Services Agreement*" for further details.

### **Cross Collateralisation Guarantee and Cash Pooling**

The cross collateralisation arrangements for the Programme consist of cash pooling at ParentCo level. In addition each AssetCo will enter into a joint and several limited recourse guarantee of the obligations of each other AssetCo under their respective On-Loan Agreement and transactions under the AssetCo Hedge Agreements, whereby the claims under such guarantee are limited to Surplus Cash.

In the enforcement scenarios described above the Issuer Secured Creditors will not have access to the cash reserves held in the Sinking Fund Account and Opex Account of each Performing AssetCo.

## CORPORATE INFORMATION ON THE ISSUER OBLIGORS AND ASSETCOS

### The Issuer Obligors

#### The Issuer - UPP Bond 1 Issuer plc

UPP Bond 1 Issuer plc was incorporated under the Companies Act 2006 and registered in England and Wales on 16 October 2012 as a public limited liability company with number 08255980 and has been incorporated as a special purpose company for the purpose of issuing the Notes under the Programme. The Issuer's registered office address is at 40 Gracechurch Street, London, EC3V 0BT and its telephone number is 0207 3987200. As at the date of this Base Prospectus, the Issuer is a wholly owned subsidiary of ParentCo and its issued share capital is £50,000 divided into 50,000 ordinary shares of £1 each. The rights of ParentCo as a shareholder in the Issuer are contained in the articles of association of the Issuer and the Issuer will be managed by its directors in accordance with those articles and with the provisions of English Law.

#### Management and Employees

The current directors and secretary of the Issuer their respective business addresses and principal activities are set out below.

Name	Business Address	Principal Activities	Other Principal Activities
Sean O'Shea	c/o 40 Gracechurch Street, London, EC3V 0BT	Director	<b>CEO</b> of UPP Group Limited  <b>Director</b> of UPP Group Holdings Limited, UPP Projects Limited, UPP Asset Finance Limited, UPP Bond 1 Holdings Limited and UPP Bond 1 Limited
Gabriel Simon Behr	c/o 40 Gracechurch Street, London, EC3V 0BT	Director	<b>Director</b> of UPP Group Holdings Limited, UPP Group Limited, UPP Asset Finance Limited, UPP Bond 1 Holdings Limited and UPP Bond 1 Limited
Julian Christopher William Benkel	c/o 40 Gracechurch Street, London, EC3V 0BT	Director & Secretary	<b>Director and Secretary</b> of UPP Group Holdings Limited, UPP Group Limited, UPP Asset Finance Limited, UPP Bond 1 Holdings Limited and UPP Bond 1 Limited  <b>Secretary</b> of UPP Projects Limited and UPP Residential Services Limited
SFM Directors Limited	35 Great St. Helen's, London EC3A 6AP	Corporate Director	<b>Director</b> of UPP Bond 1 Limited and UPP Bond 1 Holdings Limited

There are no actual or potential conflicts of interest between the duties to UPP Bond 1 Issuer plc of the persons listed above and their private interests or duties.

### ParentCo - UPP Bond 1 Limited

UPP Bond 1 Limited was incorporated under the Companies Act 2006 and registered in England and Wales on 16 October 2012 as a private limited company with number 08255705 and has been incorporated as a special purpose company to act as a holding company for each of the AssetCos. ParentCo's registered office address is at 40 Gracechurch Street, London, EC3V 0BT and its telephone number is 0207 3987200. ParentCo is a wholly owned subsidiary of HoldCo and its issued share capital at 3 February 2013 is £50,000 divided into 50,000 ordinary shares of £1 each. The rights of HoldCo as a shareholder in ParentCo are contained in the articles of association of ParentCo and ParentCo will be managed by its directors in accordance with those articles and with the provisions of English Law.

### Management and Employees

The current directors and secretary of ParentCo and their respective business addresses and principal activities are set out below.

<u>Name</u>	<u>Business Address</u>	<u>Principal Activities</u>	<u>Other Principal Activities</u>
Sean O'Shea	c/o 40 Gracechurch Street, London, EC3V 0BT	Director	<b>CEO</b> of UPP Group Limited  <b>Director</b> of UPP Group Holdings Limited, UPP Asset Finance Limited, UPP Bond 1 Issuer plc and UPP Bond 1 Holdings Limited
Gabriel Simon Behr	c/o 40 Gracechurch Street, London, EC3V 0BT	Director	<b>Director</b> of UPP Group Holdings Limited, UPP Group Limited, UPP Asset Finance Limited, UPP Bond 1 Issuer plc and UPP Bond 1 Holdings Limited
Julian Christopher William Benkel	c/o 40 Gracechurch Street, London, EC3V 0BT	Director & Secretary	<b>Director and Secretary</b> of UPP Group Holdings Limited, UPP Group Limited, UPP Asset Finance Limited, UPP Bond 1 Issuer plc and UPP Bond 1 Holdings Limited  <b>Secretary</b> of UPP Projects Limited and UPP Residential Services Limited
SFM Directors Limited	35 Great St. Helen's, London EC3A 6AP	Corporate Director	<b>Director</b> of UPP Bond 1 Issuer plc and UPP Bond 1 Holdings Limited

There are no actual or potential conflicts of interest between the duties to UPP Bond 1 Limited of the persons listed above and their private interests or duties.

### HoldCo - UPP Bond 1 Holdings Limited

UPP Bond 1 Holdings Limited was incorporated under the Companies Act 2006 and registered in England and Wales on 15 October 2012 as a private limited company with number 08253967 and has been incorporated as a special purpose company to act as a holding company of ParentCo, Issuer and AssetCos. The registered office address of Hold Co is at 40 Gracechurch Street, London, EC3V 0BT and its telephone number is 0207 3987200. As at 3 February 2013 HoldCo is a wholly owned subsidiary of UPP Group Limited and its issued share capital is £50,000 divided into 50,000 ordinary shares of £1 each.

The rights of UPP Group Limited as a shareholder in HoldCo are contained in the articles of association of HoldCo and HoldCo will be managed by its directors in accordance with those articles and with the provisions of English Law.

### Management and Employees

The current Directors and Secretary of HoldCo and their respective business addresses and principal activities are set out below.

<b>Name</b>	<b>Business Address</b>	<b>Principal Activities</b>	<b>Other Principal Activities</b>
Sean O'Shea	c/o 40 Gracechurch Street, London, EC3V 0BT	Director	<b>CEO</b> of UPP Group Limited  <b>Director</b> of UPP Group Holdings Limited, UPP Projects Limited, UPP Asset Finance Limited, UPP Bond 1 Issuer plc and UPP Bond 1 Limited
Gabriel Simon Behr	c/o 40 Gracechurch Street, London, EC3V 0BT	Director	<b>Director</b> of UPP Group Holdings Limited, UPP Group Limited, UPP Projects Limited, UPP Asset Finance Limited, UPP Bond 1 Issuer plc and UPP Bond 1 Limited
Julian Christopher William Benkel	c/o 40 Gracechurch Street, London, EC3V 0BT	Director & Secretary	<b>Director and Secretary</b> of UPP Group Holdings Limited, UPP Group Limited, UPP Asset Finance Limited, UPP Bond 1 Issuer plc and UPP Bond 1 Limited  <b>Secretary</b> of UPP Projects Limited and UPP Residential Services Limited
SFM Directors Limited	35 Great St. Helen's, London EC3A 6AP	Corporate Director	<b>Director</b> of UPP Bond 1 Issuer plc and UPP Bond 1 Limited

There are no actual or potential conflicts of interest between the duties to HoldCo of the persons listed above and their private interests or duties.

### The AssetCos

#### UPP (Alcuin) Limited

UPP (Alcuin) Limited was incorporated under the Companies Act 1985 and registered in England and Wales on 1 February 2007 as a private limited company with number 06077462. The registered office address of UPP (Alcuin) Limited is at 40 Gracechurch Street, London, EC3V 0BT and its telephone number is 0207 3987200. UPP (Alcuin) Limited is a wholly owned<sup>16</sup> subsidiary of ParentCo and its issued share capital is £440,001 divided into 440,001 ordinary shares of £1 each.

<sup>16</sup> Shareholding position is post-acquisition of the A and B ordinary shares by ParentCo.

## Management and Employees

The current Directors and Secretary of UPP (Alcuin) Limited and their respective business addresses and principal activities are set out below.

<u>Name</u>	<u>Business Address</u>	<u>Principal Activities</u>	<u>Other Principal Activities</u>
<sup>17</sup> Graham Charles Gilbert	c/o 40 Gracechurch Street, London, EC3V 0BT	Director	<b>Officer</b> of York University
Gabriel Simon Behr	c/o 40 Gracechurch Street, London, EC3V 0BT	Director	<b>Director</b> of UPP Group Holdings Limited, UPP Group Limited, UPP Asset Finance Limited, UPP Investments Limited UPP, Bond 1 Issuer plc, UPP Bond 1 Limited, UPP Bond 1 Holdings Limited, UPP (Kent Student Accommodation) Limited, UPP (Broadgate Park) Holdings Limited, UPP (Broadgate Park) Limited, UPP (Nottingham) Limited, UPP (Oxford Brookes) Limited and UPP (Plymouth Three) Limited
Julian Christopher William Benkel	c/o 40 Gracechurch Street, London, EC3V 0BT	Director & Secretary	<b>Director and Secretary</b> of UPP Group Holdings Limited, UPP Group Limited, UPP Asset Finance Limited, UPP Investments Limited, UPP Bond 1 Issuer plc and UPP Bond 1 Limited, UPP Bond 1 Holdings Limited, UPP (Kent Student Accommodation) Limited, UPP (Broadgate Park) Holdings Limited, UPP (Broadgate Park) Limited, UPP (Nottingham) Limited, UPP (Oxford Brookes) Limited and UPP (Plymouth Three) Limited  <b>Secretary</b> of UPP Projects Limited and UPP Residential Services Limited

There are no actual or potential conflicts of interest between the duties to UPP (Alcuin) Limited of the persons listed above and their private interests or duties.

### UPP (Broadgate Park) Holdings Limited

UPP (Broadgate Park) Holdings Limited UPP (Broadgate Park) Holdings Limited was incorporated under the Companies Act 1985 and registered in England and Wales on 24 January 2003 as a private Limited company with number 04647273. The registered office address of UPP (Broadgate Park) Holdings Limited is at 40 Gracechurch Street, London, EC3V 0BT and its telephone number is 0207 3987200. UPP

<sup>17</sup> Graham Charles Gibert will resign post-acquisition of the B shares by ParentCo.



(Broadgate Park) Holdings Limited is a wholly owned<sup>18</sup> subsidiary of ParentCo and its issued share capital is £702,400, divided into 702,400 ordinary shares of £1 each.

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<sup>18</sup> Shareholding position is post-acquisition of the ordinary shares by ParentCo.

## Management and Employees

The current Directors and Secretary of UPP (Broadgate Park) Holdings Limited and their respective business addresses and principal activities are set out below.

<u>Name</u>	<u>Business Address</u>	<u>Principal Activities</u>	<u>Other Principal Activities</u>
Sean O'Shea	c/o 40 Gracechurch Street, London, EC3V 0BT	Director	<b>Director</b> of UPP Group Holdings Limited, UPP Group Limited, UPP Projects Limited, UPP Asset Finance Limited, UPP Investments Limited, UPP Bond 1 Issuer plc and UPP Bond 1 Holdings Limited, UPP (Broadgate Park) Limited and UPP (Nottingham) Limited
Gabriel Simon Behr	c/o 40 Gracechurch Street, London, EC3V 0BT	Director	<b>Director</b> of UPP Group Holdings Limited, UPP Group Limited, UPP Asset Finance Limited, UPP Investments Limited, UPP Bond 1 Issuer plc, UPP Bond 1 Limited, UPP Bond 1 Holdings Limited, UPP Alcuin Limited, UPP (Broadgate Park) Limited, UPP (Kent Student Accommodation) Limited, UPP (Nottingham) Limited, UPP (Oxford Brookes) Limited and UPP (Plymouth Three) Limited
Julian Christopher William Benkel	c/o 40 Gracechurch Street, London, EC3V 0BT	Director & Secretary	<b>Director and Secretary</b> of UPP Group Holdings Limited, UPP Group Limited, UPP Asset Finance Limited, UPP Investments Limited, UPP Bond 1 Issuer plc, UPP Bond 1 Limited, UPP Bond 1 Holdings Limited, UPP Alcuin Limited, UPP (Broadgate Park) Limited, UPP (Kent Student Accommodation) Limited, UPP (Nottingham) Limited, UPP (Oxford Brookes) Limited and UPP (Plymouth Three) Limited  <b>Secretary</b> of UPP Projects Limited and UPP Residential Services Limited

There are no actual or potential conflicts of interest between the duties to UPP (Broadgate Park) Holdings Limited of the persons listed above and their private interests or duties.

## UPP (Kent Student Accommodation) Limited

UPP (Kent Student Accommodation) Limited was incorporated under the Companies Act 1985 and registered in England and Wales on 7 November 2006 as a private limited company with number 05991255. The registered office address of UPP (Kent Student Accommodation) Limited is at 40 Gracechurch Street, London, EC3V 0BT and its telephone number is 0207 3987200. UPP (Kent Student Accommodation) Limited is a wholly owned<sup>19</sup> subsidiary of ParentCo and its issued share capital is £284,800, divided into 284,800 ordinary shares of £1 each.

### Management and Employees

The current Directors and Secretary of UPP (Kent Student Accommodation) Limited and their respective business addresses and principal activities are set out below.

<u>Name</u>	<u>Business Address</u>	<u>Principal Activities</u>	<u>Other Principal Activities</u>
Gabriel Simon Behr	c/o 40 Gracechurch Street, London, EC3V 0BT	Director	<b>Director</b> of UPP Group Holdings Limited, UPP Group Limited, UPP Asset Finance Limited, UPP Investments Limited, UPP Bond 1 Issuer plc, UPP Bond 1 Limited, UPP Bond 1 Holdings Limited, UPP (Alcuin) Limited, UPP (Broadgate Park) Limited, UPP (Broadgate Park) Holdings Limited, UPP (Nottingham) Limited, UPP (Oxford Brookes) Limited and UPP (Plymouth Three) Limited
Julian Christopher William Benkel	c/o 40 Gracechurch Street, London, EC3V 0BT	Director & Secretary	<b>Director and Secretary</b> of UPP Group Holdings Limited, UPP Group Limited, UPP Asset Finance Limited, UPP Investments Limited, UPP Bond 1 Issuer plc, UPP Bond 1 Limited, UPP Bond 1 Holdings Limited, UPP (Alcuin) Limited, UPP (Broadgate Park) Limited, UPP (Broadgate Park) Holdings Limited, UPP (Nottingham) Limited, UPP (Oxford Brookes) Limited and UPP (Plymouth Three) Limited  <b>Secretary</b> of UPP Projects Limited and UPP Residential Services Limited

There are no actual or potential conflicts of interest between the duties to UPP (Kent Student Accommodation) Limited of the persons listed above and their private interests or duties.

<sup>19</sup> Shareholding position is post-acquisition of the ordinary shares by ParentCo.

### **UPP (Nottingham) Limited**

UPP (Nottingham) Limited was incorporated under the Companies Act 1985 and registered in England and Wales on 18 September 2001 as a private limited company with number 04288837. The registered office address of UPP (Nottingham) Limited is at 40 Gracechurch Street, London, EC3V 0BT and its telephone number is 0207 3987200. UPP (Nottingham) Limited is a wholly owned<sup>20</sup> subsidiary of ParentCo and its issued share capital is £82,089 divided into 82,089 ordinary shares of £1 each.

### **Management and Employees**

The current Directors and Secretary of UPP (Nottingham) Limited and their respective business addresses and principal activities are set out below.

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<sup>20</sup> Shareholding position is post-acquisition of the A and B ordinary shares by ParentCo.

<u>Name</u>	<u>Business Address</u>	<u>Principal Activities</u>	<u>Other Principal Activities</u>
John Stephen Jackson <sup>21</sup>	c/o 40 Gracechurch Street, London, EC3V 0BT	Director	<b>Director</b> of UPP (Clifton) Holdings Limited, UPP Clifton Limited, UPP (Byron House) Holdings Limited, UPP (Byron House) Limited and an <b>Officer</b> of Nottingham Trust University
Sean O'Shea	c/o 40 Gracechurch Street, London, EC3V 0BT	Director	<b>Director</b> of UPP Group Holdings Limited, UPP Group Limited, UPP Projects Limited, UPP Asset Finance Limited, UPP Investments Limited, UPP Bond 1 Issuer plc and UPP Bond 1 Holdings Limited, UPP (Broadgate Park) Limited UPP (Broadgate Park) Holdings Limited
Gabriel Simon Behr	c/o 40 Gracechurch Street, London, EC3V 0BT	Director	<b>Director</b> of UPP Group Holdings Limited, UPP Group Limited, UPP Asset Finance Limited, UPP Investments Limited, UPP Bond 1 Issuer plc, UPP Bond 1 Limited, UPP Bond 1 Holdings Limited, UPP Bond 1 Limited, UPP (Alcuin) Limited, UPP (Broadgate Park) Limited, UPP (Broadgate Park) Holdings Limited, UPP (Kent Student Accommodation) Limited, UPP (Oxford Brookes) Limited, UPP (Plymouth Three) Limited
Julian Christopher William Benkel	c/o 40 Gracechurch Street, London, EC3V 0BT	Director & Secretary	<b>Director and Secretary</b> of UPP Group Holdings Limited, UPP Group Limited, UPP Asset Finance Limited, UPP Investments Limited, UPP Bond 1 Issuer plc, UPP Bond 1 Limited, UPP Bond 1 Holdings Limited, UPP (Alcuin) Limited, UPP (Broadgate Park) Limited, UPP (Broadgate Park) Holdings Limited, UPP (kent Student Accommodation) Limited, UPP (Oxford Brookes) Limited and UPP (Plymouth Three) Limited  <b>Secretary</b> of UPP Projects Limited and UPP Residential Services Limited

<sup>21</sup> John Stephen Jackson is to remain as a Director of the Company post-acquisition of the A and B ordinary shares by ParentCo.

There are no actual or potential conflicts of interest between the duties to UPP (Nottingham) Limited of the persons listed above and their private interests or duties.

### UPP (Oxford Brookes) Limited

UPP (Oxford Brookes) Limited was incorporated under the Companies Act 1985 and registered in England and Wales on 28 November 2000 as a private limited company with number 04116192. The registered office address of UPP (Oxford Brookes) Limited is at 40 Gracechurch Street, London, EC3V 0BT and its telephone number is 0207 3987200. UPP (Oxford Brookes) Limited is a wholly owned subsidiary<sup>22</sup> of ParentCo and its issued share capital is £230,000, divided into 230,000 ordinary shares of £1 each.

### Management and Employees

The current Directors and Secretary of UPP (Oxford Brookes) Limited and their respective business addresses and principal activities are set out below.

<b>Name</b>	<b>Business Address</b>	<b>Principal Activities</b>	<b>Other Principal Activities</b>
Gabriel Simon Behr	c/o 40 Gracechurch Street, London, EC3V 0BT	Director	<b>Director</b> of UPP Group Holdings Limited, UPP Group Limited, UPP Asset Finance Limited, UPP Investments Limited, UPP Bond 1 Issuer plc, UPP Bond 1 Limited, UPP Bond 1 Holdings, UPP (Alcuin) Limited, UPP (Broadgate Park) Limited Limited, UPP (Broadgate Park) Holdings Limited, UPP (Nottingham) Limited, UPP (Plymouth Three) Limited and UPP (Kent Student Accommodation) Limited
Julian Christopher William Benkel	c/o 40 Gracechurch Street, London, EC3V 0BT	Director & Secretary	<b>Director and Secretary</b> of UPP Group Holdings Limited, UPP Group Limited, UPP Asset Finance Limited, UPP Investments Limited, UPP Bond 1 Issuer plc, UPP Bond 1 Limited, UPP Bond 1 Holdings Limited, UPP Alcuin Limited, UPP (Broadgate Park) Limited Limited, UPP (Broadgate Park) Holdings Limited, UPP (Nottingham) Limited, UPP (Plymouth Three) Limited and UPP (Kent Student Accommodation) Limited  <b>Secretary</b> of UPP Projects Limited and UPP Residential Services Limited

There are no actual or potential conflicts of interest between the duties to UPP (Oxford Brookes) Limited of the persons listed above and their private interests or duties.

<sup>22</sup> Shareholding position is post-acquisition of the ordinary shares by ParentCo.

## UPP (Plymouth Three) Limited

UPP (Plymouth Three) Limited was incorporated under the Companies Act 1985 and registered in England and Wales on 15 January 2004 as a private limited company with number 05016132. The registered office address of UPP (Plymouth Three) Limited is at 40 Gracechurch Street, London, EC3V 0BT and its telephone number is 0207 3987200. UPP (Plymouth Three) Limited is a wholly owned subsidiary<sup>23</sup> of ParentCo and its issued share capital is £698,801, divided into 698,801 ordinary shares of £1 each.

## Management and Employees

The current Directors and Secretary of UPP (Plymouth Three) Limited and their respective business addresses and principal activities are set out below.

<u>Name</u>	<u>Business Address</u>	<u>Principal Activities</u>	<u>Other Principal Activities</u>
Gabriel Simon Behr	c/o 40 Gracechurch Street, London, EC3V 0BT	Director	<b>Director</b> of UPP Group Holdings Limited, UPP Group Limited, UPP Asset Finance Limited, UPP Investments Limited, UPP Bond 1 Issuer plc, UPP Bond 1 Limited, UPP Bond 1 Holdings Limited, UPP (Alcuin) Limited, UPP (Broadgate Park) Limited Limited, UPP (Broadgate Park) Holdings Limited, UPP (Nottingham) Limited, UPP (Oxford Brookes) Limited and UPP (Kent Student Accommodation) Limited
Julian Christopher William Benkel	c/o 40 Gracechurch Street, London, EC3V 0BT	Director & Secretary	<b>Director and Secretary</b> of UPP Group Holdings Limited, UPP Group Limited, UPP Asset Finance Limited, UPP Investments Limited, UPP Bond 1 Issuer plc, UPP Bond 1 Limited, UPP Bond 1 Holdings Limited, UPP (Alcuin) Limited, UPP (Broadgate Park) Limited Limited, UPP (Broadgate Park) Holdings Limited, UPP (Nottingham) Limited, UPP (Oxford Brookes) Limited and UPP (Kent Student Accommodation) Limited  <b>Secretary</b> of UPP Projects Limited, UPP Residential Services Limited

There are no actual or potential conflicts of interest between the duties to UPP (Plymouth Three) Limited of the persons listed above and their private interests or duties.

## Control of abuse in relation to AssetCos

<sup>23</sup> Shareholding position is post-acquisition of the ordinary shares by ParentCo.

The rights of ParentCo as a shareholder in each of the AssetCos are contained in the articles of association of the relevant AssetCo and each AssetCo will be managed by its directors in accordance with those articles and with the provisions of English Law.



## THE MONITORING ADVISER

### Description of the Monitoring Adviser

Trifinium Advisors (UK) Limited ("**Trifinium**"), formerly known as Cutwater Asset Management UK Limited, was incorporated with limited liability in England and Wales on 1 June 2004 pursuant to the Companies Act 1985 with registered number 5142022. The company changed its name to Trifinium Advisors (UK) Limited on 7 August, 2012. Trifinium is licensed by the Financial Services Authority to act as an investment manager and to advise on and arrange investments for clients in the United Kingdom and the European Economic Area on a cross-border services basis in accordance with section 37 of the Financial Services and Markets Act 2000 ("**FSMA**") and Part III of Schedule 3 of FSMA.

Trifinium is an indirect, wholly owned subsidiary of MBIA Inc.

Trifinium provides transaction structuring and ongoing monitoring services facilitating efficient debt finance for infrastructure and social housing projects and other credit transactions. In addition, it also focuses on:

- (a) managing discrete pools of assets on behalf of its affiliated companies;
- (b) facilitating the creation and management of pooled funding vehicles, including the provision of social housing funding; and
- (c) providing advisory and asset management services for infrastructure equity and debt on behalf of related and third party investors.

## TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the terms and conditions which (subject to completion by and when read in conjunction with the provisions of the relevant Final Terms (as defined below) and, save for the italicised paragraphs) will be incorporated by reference into each Global Note representing Notes in bearer form, Notes in definitive form (if any) issued in exchange for the Global Note(s) representing Notes in bearer form, each Global Note Certificate representing Notes in registered form and each Individual Note Certificate representing Notes in registered form (only if such incorporation by reference is permitted by the rules of the relevant stock exchange and agreed by the Issuer). If such incorporation by reference is not so permitted and agreed, each Note in bearer form and each Individual Note Certificate representing Notes in registered form will have endorsed thereon or attached thereto such text (as so completed by the relevant Final Terms). Certain information with respect to each Tranche (as defined below) of Notes will be given in the relevant Final Terms which will provide for those aspects of these Conditions which are applicable to such Tranche (as defined below) of Notes.*

UPP Bond 1 Issuer plc (the "**Issuer**") has established a senior secured note programme (the "**Programme**") for the issuance of notes (the "**Notes**") guaranteed by each of UPP Bond 1 Holdings Limited ("**HoldCo**") and UPP Bond 1 Limited ("**ParentCo**" and together with HoldCo, the "**Guarantors**"). Notes issued under the Programme will be issued in series (each, a "**Series**"), and each Series may comprise one or more tranches (each a "**Tranche**") in an aggregate nominal amount from time to time outstanding not exceeding £5,000,000,000 (or equivalent thereof in other currencies (subject to increase as provided in the Dealership Agreement) (the "**Programme Limit**"). The primary source of funds for the payment of principal and interest on the Notes issued under the Programme will be the right of the Issuer to receive payments of interest and repayments of principal in respect of secured loans made under a number of On-Loan Agreements to be entered into between the Issuer, UPP (Alcuin) Limited, UPP (Broadgate Park) Holdings Limited, UPP (Kent Student Accommodation) Limited, UPP (Nottingham) Limited, UPP (Oxford Brookes) Limited and UPP (Plymouth Three) Limited (the "**Original AssetCos**" and each an "**Original AssetCo**", and together with any Acceding AssetCo (as defined below), the "**AssetCos**" and each an "**AssetCo**") and any Acceding AssetCos.

Each Series of Notes may be denominated in different currencies or have different interest rates, maturity dates or other terms. Notes of any Series may be zero coupon ("**Zero Coupon Notes**"), fixed rate ("**Fixed Rate Notes**"), floating rate ("**Floating Rate Notes**"), index linked ("**Indexed Notes**"), or instalment notes ("**Instalment Notes**") depending on the method of calculating interest payable in respect of such Notes and may be denominated in sterling, euro, U.S. dollars or in other currencies subject to compliance with applicable law or regulation.

The terms and conditions applicable to the Notes are these terms and conditions ("**Conditions**") as completed by a set of final terms in relation to each Tranche ("**Final Terms**"). In the event of any inconsistency between these Conditions and the relevant Final Terms, the relevant Final Terms shall prevail.

The Notes will be subject to and have the benefit of a Note Trust Deed to be dated on or before the date upon which the first Series of Notes is issued by the Issuer (the "**Initial Issue Date**") as the same may be amended, supplemented, restated and/or novated from time to time, (the "**Note Trust Deed**") between, *inter alios*, the Issuer, the Guarantors and U.S. Bank Trustees Limited as trustee (the "**Issuer Note Trustee**", which expression includes the trustee or trustees for the time being of the Note Trust Deed).

The Notes will have the benefit (to the extent applicable) of an agency agreement (as amended, supplemented and/or restated from time to time, the "**Agency Agreement**") to be dated on or before the Initial Issue Date (to which, *inter alios*, the Issuer, the Issuer Note Trustee, the Principal Paying Agent, the other Paying Agents, the Transfer Agents and the Registrar are party). As used herein, each of "**Principal Paying Agent**", "**Paying Agents**", "**Agent Bank**", "**Transfer Agent**" and/or "**Registrar**" means, in relation to the Notes, the persons specified in the Agency Agreement as the Principal Paying Agent, Paying Agents, Agent Bank, Transfer Agents and/or Registrar, respectively, and, in each case, any successor to such person in such capacity. The Notes may also have the benefit (to the extent applicable) of a calculation agency agreement (in the form or substantially in the form of Schedule 1 to the Agency Agreement, the "**Calculation Agency Agreement**") between, *inter alios*, the Issuer and any calculation agent appointed by the Issuer as calculation agent (the "**Calculation Agent**").

On or about the Initial Issue Date, the Issuer, HoldCo and ParentCo (together the "**Issuer Obligors**") and the Initial Hedge Counterparties (as defined below) will, *inter alios*, enter into a deed of charge (the "**Issuer Deed of Charge**" and together with the Note Trust Deed and any documents entered into in accordance with and expressed to be supplemental thereto, the "**Trust Documents**") with U.S. Bank Trustees Limited as "**Issuer Security Trustee**" and U.S. Bank Trustees Limited as "**AssetCo Security Trustee**", pursuant to which the Issuer will grant certain fixed and floating charge security (together with the fixed and floating security created by the other Issuer Obligors pursuant to the Issuer Obligor Security Documents, the "**Issuer Obligor Security**") to the Issuer Security Trustee (for itself and on behalf of the other Issuer Secured Creditors), the Issuer Note Trustee (for itself and on behalf of the Noteholders), each Hedge Counterparty, the Cash Administrator, the Private Placement Noteholders, the Account Bank, the Monitoring Adviser, the Issuer Corporate Officer Provider, the Registrar, the Principal Paying Agent, the Agent Bank, the Transfer Agent, any Calculation Agent and such other creditor who accedes to the Issuer Deed of Charge from time to time in accordance with the terms thereof and is designated an Issuer Secured Creditor and certain other secured creditors (together, the "**Issuer Secured Creditors**").

On or about the Initial Issue Date, the Issuer will enter into a dealership agreement (the "**Dealership Agreement**") with the dealers named therein (the "**Dealers**") in respect of the Programme, pursuant to which any of the Dealers may enter into subscription agreements (each a "**Subscription Agreement**") for the issue by the Issuer and the subscription by such Dealer(s) of any Notes being issued on the relevant Issue Date.

The Issuer may enter into hedging agreements (together, the "**Issuer Hedge Agreements**") with certain hedge counterparties (together, the "**Hedge Counterparties**") in respect of the Notes in accordance under the hedging policy set out in the Common Terms Agreement.

On or about the Initial Issue Date, the Issuer and certain other parties to the Programme will enter into a common terms agreement (the "**Common Terms Agreement**") setting out, amongst other things, certain definitions, representations, warranties, covenants, Monitoring Trigger Events, Lock-Up Events, the Senior DSCR Enforcement Event and Events of Default (as such terms are defined in the Common Terms Agreement) that apply to the Transaction Documents.

The Notes and any Final Terms relating to the Notes, the Note Trust Deed, the Agency Agreement, any Private Placement Issuance Documents, the Cash Administration Agreement, each Issuer Hedge Agreement, each On-Loan Agreement, the Issuer Management Services Agreement, the Issuer Corporate Officer Agreement, the DSRA Loan Agreement, the Common Documents in so far as they relate to the Issuer and any other Transaction Document to which an Issuer Obligor is a party or document designated as such are, in relation to the Notes, together referred to as the "**Issuer Transaction Documents**".

The Common Terms Agreement, the Issuer Deed of Charge, the Account Bank Agreement, the Monitoring Services Agreement, the Cash Administration Agreement, the Issuer Management Services Agreement, the Tax Deed of Covenant and the Conditions Precedent Agreement are together referred to as the "**Common Documents**" whilst each On-Loan Agreement, each AssetCo Security Document, the Project Documents, each AssetCo Hedge Agreement, each Intra-Group Debt Document, each Direct Agreement, the DSRA Loan Agreement, the Common Documents (in so far as they relate to a relevant AssetCo), and any other Transaction Document to which an AssetCo is a party or document designated as such are together referred to as the "**AssetCo Documents**". The Issuer Transaction Documents, the Common Documents, the AssetCo Documents and the Project Documents are together referred to as the "**Transaction Documents**".

Terms not defined in these Conditions have the meanings set out in the Common Terms Agreement.

Certain statements in these Conditions are summaries of the detailed provisions appearing on the face of the Notes (which expression shall include the body thereof), in the relevant Final Terms, the Common Terms Agreement, the Note Trust Deed or the Issuer Deed of Charge. Copies of the Note Trust Deed are available for inspection and for the taking of copies or extracts by Noteholders during normal business hours at the specified offices of the Principal Paying Agent (in the case of Bearer Notes) or the specified offices of the Transfer Agents and the Registrar (in the case of Registered Notes) and in all cases at the specified office of the Issuer Note Trustee, save that, if this Note is an unlisted Note of any Series, the applicable Final Terms will only be obtainable by a Noteholder holding one or more unlisted Notes of that Series and such Noteholder must provide evidence satisfactory to the Issuer and the relevant Agent as

to its holding of such Notes and identity. For these purposes, the Issuer Obligors shall provide the Paying Agent with sufficient copies of each of the relevant documents.

The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Note Trust Deed, the Common Terms Agreement, the Issuer Deed of Charge and the relevant Final Terms and to have notice of those provisions of the Agency Agreement and the other Issuer Transaction Documents applicable to them.

Any reference in these conditions to a matter being "**specified**" means as the same may be specified in the relevant Final Terms.

1. **Form, Denomination and Title**

(a) ***Form and Denomination***

The Notes are in bearer form ("**Bearer Notes**") or in registered form ("**Registered Notes**") as specified in the applicable Final Terms and serially numbered in the Specified Denomination(s) **provided that** in the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive, the minimum specified denomination (the "**Specified Denomination**") shall be €100,000 or not less than the equivalent of €100,000 in any other currency as at the date of issue of the relevant Notes (or such other amount required by applicable law from time to time as stated in the applicable Final Terms) and in the case of Notes in respect of which the publication of a Base Prospectus is not required under the Prospectus Directive the minimum Specified Denomination shall be not less than that required by applicable law and as stated in the applicable Final Terms. Notes may be issued in such denomination and higher integral multiples of a smaller amount if specified in the applicable Final Terms. Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination and Registered Notes may not be exchanged for Bearer Notes. References in these Conditions to "**Notes**" include Bearer Notes and Registered Notes and all Tranches and Series.

So long as the Notes are represented by a temporary Global Note or permanent Global Note and the relevant clearing system(s) so permit, the Notes shall be tradable only in principal amounts of at least the Specified Denomination (or if more than one Specified Denomination, the lowest Specified Denomination).

The Notes may be Zero Coupon Notes, Fixed Rate Notes, Floating Rate Notes, Indexed Notes or Instalment Notes, as specified in the applicable Final Terms.

Interest bearing Bearer Notes are issued with Coupons (as defined below) (and, where appropriate, a Talon, (as defined below)) attached thereto. After all the Coupons attached to, or issued in respect of, any Bearer Note which was issued with a Talon have matured, a coupon sheet comprising further Coupons (other than Coupons which would be void) and (if necessary) one further Talon will be issued against presentation of the relevant Talon at the specified office of any Paying Agent. Any Bearer Note the principal amount of which is redeemable in instalments may be issued with one or more Receipts (as defined below) (and, where appropriate, a Talon) attached thereto. After all the Receipts attached to, or issued in respect of, any Instalment Note which was issued with a Talon have matured, a receipt sheet comprising further Receipts (other than Receipts which would be void) and (if necessary) a further Talon will be issued against presentation of the relevant Talon at the specified office of any Paying Agent.

(b) ***Title***

Title to Bearer Notes, Coupons, Receipts and Talons (if any) passes by delivery. Title to Registered Notes passes by registration in the register (the "**Register**"), which the Issuer shall procure to be kept by the Registrar.

In these Conditions, subject as provided below, each reference to "**Noteholder**" (in relation to a Note, Coupon, Receipt or Talon), "**holder**" and "**Holder**" means (i) in relation to a Bearer Note, the bearer of any Bearer Note, Coupon, Receipt or Talon (as the case may be) and (ii) in relation to a Registered Note, the person in whose name a Registered Note is registered, as the case may

be. The expressions "**Noteholder**", and "**Holder**" include the holders of instalment receipts ("**Receipts**") appertaining to the payment of principal by instalments (if any) attached to such Notes in bearer form (the "**Receiptholders**"), the holders of the coupons ("**Coupons**") (if any) appertaining to interest bearing Notes in bearer form (the "**Couponholders**"), and the expression Couponholders or Receiptholders includes the holders of talons ("**Talons**") in relation to Coupons or Receipts as applicable, ("**Talons**").

The bearer of any Bearer Note, Coupon, Receipt or Talon and the registered holder of any Registered Note will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, any writing on the relevant Note, or its theft or loss or any express or constructive notice of any claim by any other person of any interest therein other than, in the case of a Registered Note, a duly executed transfer of such Note in the form endorsed on the Note Certificate in respect thereof) and no person will be liable for so treating the holder.

Notes which are represented by a Global Note or Global Note Certificate will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be. References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms or as may otherwise be approved by the Issuer, the Principal Paying Agent and the Issuer Note Trustee.

The Issuer may, from time to time, without the consent of the Noteholders, Receiptholders or Couponholders, create and issue further Notes having the same terms and conditions as the Notes of a Series in all respects (or in all respects except for the first payment of interest). Accordingly, a Series of Notes may comprise a number of issues in addition to the initial Tranche of such Series. Such further issues of the same Series will be consolidated and form a Series with the prior issues of that Series.

## 2. **Exchanges of Bearer Notes for Registered Notes and Transfers of Registered Notes**

### (a) ***Exchange of Notes***

Subject to Condition 2(e) (*Closed Periods*), Bearer Notes may, if so specified in the relevant Final Terms, be exchanged at the expense of the transferor Noteholder for the same aggregate principal amount of Registered Notes at the request in writing of the relevant Noteholder and upon surrender of the Bearer Note to be exchanged together with all unmatured Coupons, Receipts and Talons (if any) relating to it at the specified office of the Registrar or any Transfer Agent or Paying Agent. Where, however, a Bearer Note is surrendered for exchange after the Record Date (as defined below) for any payment of interest or Interest Amount (as defined below), the Coupon in respect of that payment of interest or Interest Amount need not be surrendered with it. Registered Notes may not be exchanged for Bearer Notes.

### (b) ***Transfer of Registered Notes***

A Registered Note may be transferred upon the surrender of the relevant individual note certificate (each, an "**Individual Note Certificate**"), together with the form of transfer endorsed on it duly completed and executed, at the specified office of any Transfer Agent or the Registrar. However, a Registered Note may not be transferred unless (i) the principal amount of Registered Notes proposed to be transferred and (ii) the principal amount of the balance of Registered Notes to be retained by the relevant transferor are, in each case, Specified Denominations. In the case of a transfer of part only of a holding of Registered Notes represented by an Individual Note Certificate, a new Individual Note Certificate in respect of the balance not transferred will be issued to the transferor within three Business Days (in the place of the specified office of the Transfer Agent or the Registrar) of receipt of such form of transfer.

### (c) ***Delivery of New Individual Note Certificates***

Each new Individual Note Certificate to be issued upon exchange of Bearer Notes or transfer of Registered Notes will, within three Business Days (in the place of the specified office of the Transfer Agent or the Registrar) of receipt of such request for exchange or form of transfer, be

available for delivery at the specified office of the Transfer Agent or the Registrar stipulated in the request for exchange or form of transfer, or be mailed at the risk of the Noteholder entitled to the Individual Note Certificate to such address as may be specified in such request for exchange or form of transfer. For these purposes, a form of transfer or request for exchange received by the Registrar after the Record Date (as defined below) in respect of any payment due in respect of Registered Notes shall be deemed not to be effectively received by the Registrar until the Business Day (as defined below) following the due date for such payment.

(d) ***Exchange at the Expense of Transferor Noteholder***

Registration of Notes on exchange or transfer will be effected at the expense of the transferor Noteholder by or on behalf of the Issuer, the Transfer Agent or the Registrar, and upon payment of (or the giving of such indemnity as the Transfer Agent or the Registrar may require in respect of) any tax or other governmental charges which may be imposed in relation to it.

(e) ***Closed Period***

No transfer of a Registered Note may be registered, nor may any exchange of a Bearer Note for a Registered Note occur during the period of 15 days ending on the due date for any payment of principal, interest, Interest Amount (as defined below) or Redemption Amount (as defined below) on that Note.

(f) ***Regulations Concerning the Transfer of Registered Notes***

All transfers of Registered Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Registered Notes scheduled to the Agency Agreement. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests in writing a copy of such regulations.

3. **Status of the Notes and Guarantees**

(a) ***Status of the Notes***

The Notes, Coupons, Talons and Receipts (if any) are direct and unconditional obligations of the Issuer, are secured in the manner described in Condition 4 (*Security, Priority and Relationship with Issuer Secured Creditors*) and rank *pari passu* without any preference among themselves.

(b) ***Status of the Guarantees***

Each of the guarantees granted by HoldCo (the "**HoldCo Guarantee**") and ParentCo (the "**ParentCo Guarantee**") are direct and unconditional obligations of HoldCo and ParentCo respectively and are secured in the manner described in Condition 4 (*Security, Priority and Relationship with Issuer Secured Creditors*).

(c) ***Issuer Note Trustee not responsible for monitoring compliance***

The Issuer Note Trustee shall be under no obligation to monitor or supervise the functions of any other person under the Notes or any other agreement or document relating to the transactions herein or therein contemplated and shall be entitled, in the absence of actual knowledge of a breach of obligation, to assume that each such person is properly performing and complying with its obligations. The Issuer Note Trustee shall be entitled to call for and rely upon a certificate believed by it to be genuine of any two Authorised Signatories or any two directors of any of the parties to the Issuer Transaction Documents (including the Issuer Obligors) in respect of every matter and circumstance upon which the Issuer Note Trustee may require to be satisfied or for which a certificate is expressly provided for under the Issuer Transaction Documents as sufficient evidence thereof and the Issuer Note Trustee shall not be bound in any such case to call for further evidence or be responsible for any liability or inconvenience that may be occasioned by its failing to do so.

#### 4. **Security, Priority and Relationship with Issuer Secured Creditors**

##### (a) **Security**

As continuing security for the payment or discharge all present and future obligations and liabilities (whether actual or contingent) of the Issuer Obligors to any Issuer Secured Creditor under each Issuer Transaction Document and the Notes (the "**Issuer Obligor Secured Liabilities**"), the Issuer, with full title guarantee, in favour of the Issuer Security Trustee, for itself and as trustee for the other Issuer Secured Creditors, has granted pursuant to the Issuer Deed of Charge:

- (i) an assignment by way of first fixed security of the Benefit of the Issuer under the Transaction Documents (other than the Trust Documents) to which it is a party;
- (ii) an assignment by way of security of the Benefit of the Issuer's interest in the AssetCo Security (including, without limitation, all such right, title, interest under such AssetCo Security Documents) surrogating and substituting the Issuer Security Trustee in its full right and place therein and thereto;
- (iii) a first fixed charge of the Benefit of the accounts of the Issuer held pursuant to or in accordance with any Transaction Document including any sub-account or sub-accounts relating to that account and any replacement account from time to time and any bank or other accounts in which the Issuer may at any time have or acquire any Benefit;
- (iv) a first fixed charge of the Benefit of each Authorised Investment (as defined in the Common Terms Agreement); and
- (v) a first floating charge, over the whole of the Issuer's undertaking, assets, property and rights whatsoever and wheresoever situated, present and future, including the Issuer's uncalled capital (including assets expected to be subject to a fixed charge or assignment by way of security as described in paragraphs (i) – (iv) above).

In addition, HoldCo and ParentCo have granted the Issuer Obligor Security (other than the security granted by the Issuer pursuant to the Issuer Deed of Charge) in favour of the Issuer Security Trustee for itself and on trust for the other Issuer Secured Creditors as continuing security for the payment and discharge of the Issuer Obligor Secured Liabilities (including HoldCo Guarantee and ParentCo Guarantee).

All Notes issued by the Issuer under the Programme will share (together with the other Issuer Secured Creditors) in the Issuer Obligor Security.

For the purposes of these Conditions:

"**AssetCo Security**" means the Security created pursuant to the AssetCo Security Documents;

"**AssetCo Security Documents**" means each AssetCo Debenture, each AssetCo Mortgage and the AssetCo Guarantee;

"**Issuer Obligor Security**" means the security created in favour of the Issuer Security Trustee pursuant to the Issuer Obligor Security Documents;

"**Issuer Obligor Security Documents**" means HoldCo Share Charge, ParentCo Debenture, the Issuer Deed of Charge and any other Transaction Document which may be designated an Issuer Obligor Security Document;

"**Obligor Security**" means the security created pursuant to the Security Documents; and

"**Security Documents**" means each Issuer Obligor Security Document and each AssetCo Security Document.

(b) ***Relationship among Noteholders and with other Issuer Secured Creditors***

The Note Trust Deed contains provisions detailing the Issuer Note Trustee's obligations to consider the interests of Noteholders as regards all discretions of the Issuer Note Trustee (except where expressly provided or otherwise referred to in Condition 16 (*Issuer Note Trustee Protections*)).

(c) ***Enforceable Security***

In the event of the Issuer Obligor Security becoming enforceable as provided in the Issuer Deed of Charge, the Issuer Security Trustee shall, if instructed by the Qualifying Issuer Secured Creditors, enforce its rights with respect to the Issuer Obligor Security but without any liability as to the consequence of such action and without having regard to the effect thereof on, or being required to account for such action to, any particular Noteholder, **provided that** the Issuer Security Trustee shall not be obliged to take any action unless it is indemnified and/or secured and/or pre-funded to its satisfaction.

(d) ***Application After Enforcement***

After enforcement of the Issuer Obligor Security, the Issuer Security Trustee shall (to the extent that such funds are available) use the proceeds of such enforcement to make payments in accordance with the Issuer Priority of Payments.

(e) ***Issuer Note Trustee and Issuer Security Trustee not liable for security***

The Issuer Note Trustee may accept without investigation, requisition or objection such right and title as the Issuer may have to any of the Issuer Obligor Charged Property and the other Security created in favour of the Issuer Note Trustee under any Issuer Transaction Documents and shall not be bound or concerned to examine or enquire into or be liable for any defect or failure in the right or title of the Issuer or any other person to all or any of the Issuer Obligor Charged Property whether such defect or failure was known to the Issuer Note Trustee or might have been discovered upon examination or enquiry and whether capable of remedy or not.

The Issuer Security Trustee shall not nor shall any Receiver, attorney or agent of the Issuer Security Trustee by reason of taking possession of the Issuer Obligor Charged Property or any part thereof or for any other reason whatsoever and whether as mortgagee in possession or on any other basis whatsoever (i) be liable to account to the Issuer or any other person whatsoever for anything except actual receipts in respect of the Issuer Obligor Charged Property; or (ii) be liable to the Issuer or any other person whatsoever for any loss or damage arising from realisation of the Issuer Obligor Charged Property or any part thereof or from any act, default or omission in relation to the Issuer Obligor Security or any part thereof or from any exercise or non-exercise by it of any power, authority or discretion conferred upon it in relation to the Issuer Obligor Charged Property or any part thereof or otherwise, unless such loss or damage shall be caused by its own gross negligence, wilful default or fraud.

5. ***Issuer Obligor Covenants***

So long as any of the Notes remains outstanding, the Issuer has agreed to comply with the covenants as set out in Schedule 6 (*Issuer Covenants*) and HoldCo and ParentCo have agreed to comply with the covenants set out in Schedule 7 (*HoldCo and ParentCo Covenants*) of the Common Terms Agreement.

6. ***Interest and other Calculations***

(a) ***Interest Rate and Accrual***

Each Note (unless specified in the relevant Final Terms to be a Zero Coupon Note) bears interest on its Principal Amount Outstanding as defined below (or as otherwise specified in the relevant Final Terms) from the Interest Commencement Date (as defined below) at the Interest Rate (as defined below), such interest being payable in arrear (unless otherwise specified in the relevant Final Terms) on each Interest Payment Date (as defined below).



Interest will cease to accrue on each Note (or, in the case of the redemption of part only of a Note, that part only of such Note) on the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which event interest will continue to accrue (both before and after judgment) at the Interest Rate that would otherwise apply in respect of unpaid amounts on such Notes at such time to the Note Relevant Date (as defined in Condition 6(i) (*Definitions*)).

If any Maximum Interest Rate or Minimum Interest Rate is specified in the relevant Final Terms, then the Interest Rate shall in no event be greater than the maximum or be less than the minimum so specified, as the case may be.

(b) ***Business Day Convention***

If any date referred to in these Conditions or the relevant Final Terms is specified to be subject to adjustment in accordance with a Business Day Convention and would otherwise fall on a day which is not a Business Day (as defined below), then if the Business Day Convention specified in the relevant Final Terms is:

- (i) the "**Following Business Day Convention**", such date shall be postponed to the next day which is a Business Day;
- (ii) the "**Modified Following Business Day Convention**", such date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day; or
- (iii) the "**Preceding Business Day Convention**", such date shall be brought forward to the immediately preceding Business Day.

(c) ***Floating Rate Notes***

This Condition 6(c) is applicable only if the relevant Final Terms specify the Notes as Floating Rate Notes.

If "**Screen Rate Determination**" is specified in the relevant Final Terms as the manner in which the Interest Rate(s) is/are to be determined, the Interest Rate applicable to the Notes for each Interest Period will be determined by the Agent Bank (or the Calculation Agent, if applicable) on the following basis:

- (i) if the Page (as defined below) displays a rate which is a composite quotation or customarily supplied by one entity, the Agent Bank (or the Calculation Agent, if applicable) will determine the Relevant Rate (as defined in Condition 6(i) (*Definitions*));
- (ii) in any other case, the Agent Bank (or the Calculation Agent, if applicable) will determine the arithmetic mean of the Relevant Rates (as defined below) which appear on the Page as of the Relevant Time (as defined below) on the relevant Interest Determination Date;
- (iii) if, in the case of (i) above, such rate does not appear on that Page or, in the case of (ii) above, fewer than two such rates appear on that Page or if, in either case, the Page is unavailable, the Agent Bank (or the Calculation Agent, if applicable) will:
  - (A) request the principal Relevant Financial Centre office of each of the Reference Banks (as defined in Condition 6(i) (*Definitions*)) to provide a quotation of the Relevant Rate at approximately the Relevant Time on the relevant Interest Determination Date to prime banks in the Relevant Financial Centre (as defined below) interbank market (or, if appropriate, money market) in an amount that is representative for a single transaction in that market at that time; and
  - (B) determine the arithmetic mean of such quotations; and

- (iv) if fewer than two such quotations are provided as requested in Condition 6(c)(iii), the Agent Bank (or the Calculation Agent, if applicable) will determine the arithmetic mean of the rates (being the rates nearest to the Relevant Rate as determined by the Agent Bank (or the Calculation Agent, if applicable)) quoted by the Reference Banks at approximately 11.00 a.m. (local time in the Relevant Financial Centre of the Relevant Currency) on the relevant Interest Determination Date (as defined in Condition 6(i) (*Definitions*)) for loans in the Relevant Currency to leading European banks for a period equal to the relevant Interest Period and in the Representative Amount (as defined in Condition 6(i) (*Definitions*)),

and the Interest Rate for such Interest Period shall be the sum of the rate or (as the case may be) the arithmetic mean so determined and (a) for any Interest Period that ends on or before the Scheduled Redemption Date, the Margin and (b) for any Interest Period that ends after the Scheduled Redemption Date, the Margin and the Step-Up Floating Fee Rate. However, if the Agent Bank or the Calculation Agent (as applicable) is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Interest Rate applicable to the Notes during such Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Notes in respect of a preceding Interest Period.

If "**ISDA Determination**" is specified in the relevant Final Terms as the manner in which the Interest Rate(s) is/are to be determined, the Interest Rate(s) applicable to the Notes for each Interest Period will be the sum of the ISDA Rate and (a) for any Interest Period that ends on or before the Scheduled Redemption Date, the Margin and (b) for any Interest Period that ends after the Scheduled Redemption Date, the Margin and the Step- Up Floating Fee Rate where "**ISDA Rate**" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Agent Bank (or the Calculation Agent, if applicable) under an interest rate swap transaction if the Agent Bank (or the Calculation Agent, if applicable) were acting as calculation agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (v) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Final Terms;
- (vi) the Designated Maturity (as defined in the ISDA Definitions) is the Specified Duration (as defined in Condition 6(i) (*Definitions*)); and
- (vii) the relevant Reset Date (as defined in the ISDA Definitions) is either (1) if the relevant Floating Rate Option is based on LIBOR for a currency, the first day of that Interest Period, (2) if the relevant Floating Rate Option is based on EURIBOR, the first day of that Interest Period or (3) in any other case, as specified in the relevant Final Terms.

(d) ***Fixed Rate Notes***

This Condition 6(d) is applicable only if the relevant Final Terms specify the Notes as Fixed Rate Notes.

Subject to the next paragraph, the Interest Rate applicable to the Notes for each Interest Period will be the rate specified in the relevant Final Terms.

The Interest Rate applicable to the Notes for each Interest Period from (and including) the Scheduled Redemption Date will be a floating rate equal to the sum of (a) the rate determined in accordance with Condition 6(c) (*Floating Rate Notes*) if that Condition otherwise applied and (b) the Step-Up Fixed Fee Rate.

(e) ***Indexed Notes***

This Condition 6(e) is applicable only if the relevant Final Terms specify the Notes as Indexed Notes.

Payments of principal on, and the interest payable in respect of, the Notes will be subject to adjustment for indexation and to the extent set out in Condition 7(b) (*Application of the Index Ratio*).

Subject to the next paragraph, the Interest Rate applicable to the Notes for each Interest Period will be the rate specified in the relevant Final Terms.

The Interest Rate applicable to the Notes for each Interest Period from (and including) the Scheduled Redemption Date will be a floating rate equal to the sum of (a) the arithmetic mean rate determined in accordance with Condition 6(c) (*Floating Rate Notes*) if that Condition otherwise applied and (b) the Step-Up Fixed Fee Rate.

(f) ***Rounding***

For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified):

- (i) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred thousandth of a percentage point (with halves being rounded up);
- (ii) all figures will be rounded to seven significant figures (with halves being rounded up); and
- (iii) all currency amounts which fall due and payable will be rounded to the nearest unit of such currency (with halves being rounded up). For these purposes, "**unit**" means, with respect to any currency other than euro, the lowest amount of such currency which is available as legal tender in the country of such currency and, with respect to euro, means 0.01 euro.

(g) ***Calculations***

The amount of interest payable in respect of any Note for each Interest Period shall be calculated by applying the Interest Rate to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Note divided by the Calculation Amount (as defined in Condition 6(i) (*Definitions*)) and, in the case of Indexed Notes only, adjusted according to the indexation set out in Condition 7(b) (*Application of the Index Ratio*), unless an Interest Amount is specified in respect of such period in the relevant Final Terms, in which case the amount of interest payable in respect of such Note for such Interest Period will equal such Interest Amount.

(h) ***Determination and Publication of Interest Rates, Interest Amounts, Redemption Amounts and Instalment Amounts***

As soon as practicable after the Relevant Time on each Interest Determination Date or such other time on such date as the Agent Bank (or the Calculation Agent, if applicable) may be required to calculate any Redemption Amount or the amount of an instalment of scheduled principal (an "**Instalment Amount**"), obtain any quote or make any determination or calculation, the Agent Bank (or the Calculation Agent, if applicable) will determine the Interest Rate and calculate the amount of interest payable (the "**Interest Amounts**") in respect of each Specified Denomination of Notes for the relevant Interest Period (including, for the avoidance of doubt any applicable Index Ratio to be calculated in accordance with Condition 7(b) (*Application of the Index Ratio*)), calculate the Redemption Amount or Instalment Amount, obtain such quote or make such determination or calculation, as the case may be, and cause the Interest Rate and the Interest Amounts for each Interest Period and the relevant Interest Payment Date and, if required to be calculated, the Redemption Amount, Principal Amount Outstanding or any Instalment Amount to be notified to, in the case of Bearer Notes, the Paying Agents or in the case of Registered Notes, the Registrar, and, in each case, the Issuer Note Trustee, the Issuer, the Noteholders and the Stock Exchange and each other listing authority, stock exchange and/or quotation system by which the relevant Notes have then been admitted to listing, trading and/or quotation as soon as possible after its determination but in no event later than (i) (in case of notification to the Stock

Exchange and each other listing authority, stock exchange and/or quotation system by which the relevant Notes have then been admitted to listing, trading and/or quotation) the commencement of the relevant Interest Period, if determined prior to such time, in the case of an Interest Rate and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. The Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange or other relevant authority on which the relevant Notes are for the time being listed or by which they have been admitted to listing, to the Principal Paying Agent, the Issuer Note Trustee and to the Noteholders in accordance with Condition 17 (*Notices*). If the Notes become due and payable under Condition 11 (*Issuer Events of Default*), the accrued interest and the Interest Rate payable in respect of the Notes shall nevertheless continue to be calculated as previously provided in accordance with this Condition but no publication of the Interest Rate or the Interest Amount so calculated need be made unless otherwise required by the Issuer Note Trustee. The determination of each Interest Rate, Interest Amount, Redemption Amount and Instalment Amount, the obtaining of each quote and the making of each determination or calculation by the Agent Bank (or the Calculation Agent, if applicable) or, as the case may be, the Issuer Note Trustee pursuant to this Condition 6 or Condition 7 (*Indexation*), shall (in the absence of manifest error) be final and binding upon all parties.

(i) **Definitions**

In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below.

**"Business Day"** means:

- (i) in relation to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) additional city or cities specified in the relevant Final Terms; and
- (ii) in relation to any sum payable in a currency other than euro, a day on which commercial banks and foreign exchange markets settle payments generally in London, in the principal financial centre of the Relevant Currency (which in the case of a payment in U.S. dollars shall be New York) and in each (if any) additional city or cities specified in the relevant Final Terms;

**"Calculation Amount"** means the amount specified as such in the relevant Final Terms;

**"Day Count Fraction"** means, in respect of the calculation of an amount of interest on any Note for any period of time (whether or not constituting an Interest Period, the **"Calculation Period"**):

- (i) if **"Actual/Actual (ICMA)"** is specified:
  - (A) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and
  - (B) if the Calculation Period is longer than one Determination Period, the sum of:
    - (a) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and
    - (b) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year,

where:

**"Determination Period"** means the period from and including a Determination Date in any year to but excluding the next Determination Date; and

**"Determination Date"** means the date specified as such hereon or, if none is so specified, the Interest Payment Date;

- (ii) if **"Actual/365"** or **"Actual/Actual"** is specified, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (1) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366, and (2) the actual number of days in that portion of the Calculation Period falling in a non leap year divided by
- (iii) if **"Actual/365 (Fixed)"** is specified, the actual number of days in the Calculation Period divided by 365;
- (iv) if **"Actual/360"** is specified, the actual number of days in the Calculation Period divided by 360;
- (v) if **"30/360"**, **"360/360"** or **"Note Basis"** is specified, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30 day months (unless (1) the last day of the Calculation Period is the 31st day of a month but the first day of the Calculation Period is a day other than the 30th or 31st of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30 day month, or (2) the last day of the Calculation Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30 day month)); and
- (vi) if **"30E/360"** or **"Eurobond Basis"** is specified, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30 day months, without regard to the date of the first day or last day of the Calculation Period unless, in the case of the final Calculation Period, the last day of such period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30 day month)); and

**"euro"** means the lawful currency of the Participating Member States;

**"Final Maturity Date"** means the date specified in the relevant Final Terms as the final date on which the principal amount of the Note is due and payable;

**"Interest Commencement Date"** means the Issue Date or such other date as may be specified in the relevant Final Terms;

**"Interest Determination Date"** means, with respect to an Interest Rate and an Interest Period, the date specified as such in the relevant Final Terms or, if none is so specified, the day falling two Business Days in London prior to the first day of such Interest Period (or if the specified currency is sterling the first day of such Interest Period) as adjusted in accordance with any Business Day Convention (as defined above) specified in the relevant Final Terms;

**"Interest Payment Date"** means the date(s) specified as such in the relevant Final Terms;

**"Interest Period"** means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date;

**"Interest Rate"** means the rate of interest payable from time to time in respect of the Notes and which is either specified as such in, or calculated in accordance with the provisions of, these Conditions and/or the relevant Final Terms;

**"ISDA Definitions"** means the 2006 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of Notes as published by the International Swaps and Derivatives Association, Inc.);

**"Issue Date"** means the date specified as such in the relevant Final Terms;

**"Margin"** means the rate per annum (expressed as a percentage) specified as such in the relevant Final Terms;

**"Note Relevant Date"** means, in respect of any Tranche of the Notes, the earlier of (a) the date on which all amounts in respect of the Notes have been paid, and (b) five days after the date on which all of the Principal Amount Outstanding (adjusted in the case of Indexed Notes in accordance with Condition 7(b) (*Application of Index Ratio*)) has been received by the Principal Paying Agent or the Registrar, as the case may be, and notice to that effect has been given to the Noteholders in accordance with Condition 17 (*Notice*);

**"Page"** means such page, section, caption, column or other part of a particular information service (including the Reuters Money 3000 Service ("**Reuters**")) as may be specified in the relevant Final Terms, or such other page, section, caption, column or other part as may replace the same on that information service or on such other information service, in each case as may be nominated by the person or organisation providing or sponsoring the information appearing there for the purpose of displaying comparable rates or prices;

**"Participating Member State"** means a Member State of the European Communities which adopts the euro as its lawful currency in accordance with the Treaty establishing the European Communities (as amended), and "**Participating Member States**" means all of them;

**"Principal Amount Outstanding"** means, in relation to a Note, the original face value thereof less any repayment of principal made to the Holder(s) thereof in respect of such Note;

**"Redemption Amount"** means the amount provided under Condition 8(d) (*Optional Redemption*), unless otherwise specified in the relevant Final Terms;

**"Reference Banks"** means the institutions specified as such or, if none, four major banks selected by the Issuer acting through the Agent Bank (or the Calculation Agent, if applicable) in the interbank market (or, if appropriate, money market) which is most closely connected with the Relevant Rate as determined by the Agent Bank (or the Calculation Agent, if applicable), on behalf of the Issuer, in its sole and absolute discretion;

**"Relevant Currency"** means the currency specified as such or, if none is specified, the currency in which the Notes are denominated;

**"Relevant Financial Centre"** means, with respect to any Note, the financial centre specified as such in the relevant Final Terms or, if none is so specified, the financial centre with which the Relevant Rate is most closely connected as determined by the Agent Bank (or the Calculation Agent, if applicable);

**"Relevant Rate"** means LIBOR or EURIBOR as specified in the relevant Final Terms);

**"Relevant Time"** means, with respect to any Interest Determination Date, the local time in the Relevant Financial Centre specified in the relevant Final Terms or, if none is specified, the local time in the Relevant Financial Centre at which it is customary to determine bid and offered rates in respect of deposits in the Relevant Currency in the interbank market in the Relevant Financial Centre;

**"Representative Amount"** means, with respect to any rate to be determined on an Interest Determination Date, the amount specified in the relevant Final Terms as such or, if none is specified, an amount that is representative for a single transaction in the relevant market at the time;

**"Scheduled Redemption Date"** has the meaning given to it in the applicable Final Terms;

**"Specified Duration"** means, with respect to any Floating Rate (as defined in the ISDA Definitions) to be determined on an Interest Determination Date, the period or duration specified as such in the relevant Final Terms or, if none is specified, a period of time equal to the relative Interest Period;

**"Step-Up Fixed Fee Rate"** means the rate per annum (expressed as a percentage) specified as such in the relevant Final Terms or, if no such rate is specified, zero;

**"Step-Up Floating Fee Rate"** means the rate per annum (expressed as a percentage) specified as such in the relevant Final Terms or, if no such rate is specified, zero;

**"Stock Exchange"** means the Irish Stock Exchange Limited;

**"sub-unit"** means in the case of any currency, the lowest amount of such currency that was available as legal tender in the country of such currency; and

**"TARGET Settlement Day"** means any day on which the TARGET system is open; and **"TARGET system"** means the Trans European Automated Real Time Gross Settlement Express Transfer system (TARGET or TARGET2).

(j) ***Agent Bank, Calculation Agent and Reference Banks***

The Issuer will procure that there shall at all times be an Agent Bank (and a Calculation Agent, if applicable) and four Reference Banks selected by the Issuer acting through the Agent Bank (or the Calculation Agent, if applicable) with offices in the Relevant Financial Centre if provision is made for them in these Conditions applicable to this Note and for so long as it is outstanding. If any Reference Bank (acting through its relevant office) is unable or unwilling to continue to act as a Reference Bank, then the Issuer acting through the Agent Bank (or the Calculation Agent, if applicable) will select another Reference Bank with an office in the Relevant Financial Centre to act as such in its place. If the Agent Bank (or the Calculation Agent, if applicable) is unable or unwilling to act as such or if the Agent Bank (or the Calculation Agent, if applicable) fails duly to establish the Interest Rate for any Interest Period or to calculate the Interest Amounts or any other requirements, the Issuer will appoint (with the prior written consent of the Issuer Note Trustee) a successor to act as such in its place. The Agent Bank may not resign its duties without a successor having been appointed as aforesaid.

(k) ***Determination or Calculation by Issuer Note Trustee***

If the Agent Bank (or the Calculation Agent, if applicable) does not at any time for any reason determine any Interest Rate, Interest Amount, Redemption Amount, Instalment Amount or any other amount to be determined or calculated by it, the Issuer Note Trustee shall (without liability to any person for so doing) determine such Interest Rate, Interest Amount, Redemption Amount, Instalment Amount or other amount as aforesaid at such rate or in such amount as in its absolute discretion (having regard as it shall think fit to the procedures described above, but subject to the terms of the Note Trust Deed) it shall deem fair and reasonable in all the circumstances or, subject as aforesaid, apply the foregoing provisions of this Condition, with any consequential amendments, to the extent that, in its sole opinion, it can do so and in all other respects it shall do so in such manner as it shall, in its absolute discretion, deem fair and reasonable in the circumstances, and each such determination or calculation shall be deemed to have been made by the Agent Bank (or the Calculation Agent, if applicable).

(l) ***Certificates to be final***

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of Condition 6 (*Interest and Other Calculations*) whether by the Principal Paying Agent or the Agent Bank (or the Calculation Agent, if applicable) shall (in the absence of wilful default, gross negligence, bad faith or fraud) be binding on the Issuer Obligors, the Agent Bank, the Issuer Note Trustee, the Principal Paying Agent, the other Agents and all Noteholders, Receiptholders and Couponholders and (in the absence as aforesaid) no liability to the Obligors, the Issuer Note Trustee, the Noteholders, the Receiptholders or the Couponholders shall attach to the Principal Paying Agent,

the Agent Bank or, if applicable, the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

7. **Indexation**

This Condition 7 is applicable only if the relevant Final Terms specify the Notes as Indexed Notes.

(a) **Definitions**

"**affiliate**" means in relation to any person, any entity controlled, directly or indirectly, by that person, any entity that controls directly or indirectly, that person or any entity, directly or indirectly under common control with that person and, for this purpose,

"**control**" means control as defined in the Companies Act 2006;

"**Base Index Figure**" means (subject to Condition 7(c)(i) (*Change in base*)) the base index figure as specified in the relevant Final Terms;

"**Index**" or "**Index Figure**" means, subject as provided in Condition 7(c)(i) (*Change in base*), the UK Retail Price Index (RPI) (for all items) published by the Central Statistical Office and available to view at [www.statistics.gov.uk](http://www.statistics.gov.uk) (January 1987 = 100) or any comparable index which may replace the UK Retail Price Index for the purpose of calculating the amount payable on repayment of the Reference Gilt. Any reference to the Index Figure:

- (i) applicable to a particular month shall, subject as provided in Condition 7(c) (*Changes in Circumstances Affecting the Index*) and (e) (*Cessation of or Fundamental Changes to the Index*), be construed as a reference to the Index Figure published in the seventh month prior to that particular month and relating to the month before that of publication;
- (ii) applicable to the first calendar day of any month shall, subject as provided in Condition 7(c) (*Changes in Circumstances Affecting the Index*) and (e) (*Cessation of or Fundamental Changes to the Index*), be construed as a reference to the Index Figure published in the second month prior to that particular month and relating to the month before that of publication; or
- (iii) applicable to any other day in any month shall, subject as provided in Condition 7(c) (*Changes in Circumstances Affecting the Index*) and (e) (*Cessation of or Fundamental Changes to the Index*), be calculated by linear interpolation between (x) the Index Figure applicable to the first calendar day of the month in which the day falls, calculated as specified in sub-paragraph (ii) above, and (y) the Index Figure applicable to the first calendar day of the following month, calculated as specified in sub-paragraph (ii) above, and rounded in accordance with Condition 6(f) (*Rounding*).

If the Index is replaced, the Issuer will describe the replacement Index in an update to the Base Prospectus or Drawdown Prospectus (as appropriate) prior to an issuance of Indexed Notes;

"**Index Ratio**" applicable to any month means the Index Figure applicable to such month divided by the Base Index Figure;

"**Limited Index Ratio**" means (a) in respect of any month prior to the relevant Issue Date, the Index Ratio for that month; (b) in respect of any Limited Indexation Month after the relevant Issue Date, the product of the Limited Indexation Factor for that month and the Limited Index Ratio as previously calculated in respect of the month twelve months prior thereto; and (c) in respect of any other month, the Limited Index Ratio as previously calculated in respect of the most recent Limited Indexation Month;

"**Limited Indexation Factor**" means, in respect of a Limited Indexation Month, the ratio of the Index Figure applicable to that month divided by the Index Figure applicable to the month twelve months prior thereto, **provided that** (a) if such ratio is greater than the Maximum Indexation Factor specified in the relevant Final Terms, it shall be deemed to be equal to such Maximum



Indexation Factor and (b) if such ratio is less than the Minimum Indexation Factor specified in the relevant Final Terms, it shall be deemed to be equal to such Minimum Indexation Factor;

"**Limited Indexation Month**" means any month specified in the relevant Final Terms for which a Limited Indexation Factor is to be calculated;

"**Limited Indexed Notes**" means Indexed Notes to which a Maximum Indexation Factor and/or a Minimum Indexation Factor (as specified in the relevant Final Terms) applies; and

"**Reference Gilt**" means the Treasury Stock specified as such in the relevant Final Terms for so long as such stock is in issue, and thereafter such issue of index linked Treasury Stock determined to be appropriate by a gilt edged market maker or other adviser selected by the Issuer and approved by the Issuer Note Trustee (an "**Indexation Adviser**").

(b) ***Application of the Index Ratio***

Each payment of interest and principal in respect of the Notes shall be the amount provided in, or determined in accordance with, these Conditions, multiplied by the Index Ratio or Limited Index Ratio in the case of Limited Indexed Notes applicable to the month in which such payment falls to be made and rounded in accordance with Condition 6(f) (*Rounding*).

(c) ***Changes in Circumstances Affecting the Index***

(i) Change in base: If at any time and from time to time the Index is changed by the substitution of a new base therefor, then with effect from the calendar month from and including that in which such substitution takes effect (1) the definition of "**Index**" and "**Index Figure**" in Condition 7(a) (*Definitions*) shall be deemed to refer to the new date or month in substitution for January 1987 (or, as the case may be, to such other date or month as may have been substituted therefor), and (2) the new Base Index Figure shall be the product of the then existing Base Index Figure and the Index Figure immediately following such substitution, divided by the Index Figure immediately prior to such substitution.

(ii) Delay in publication of Index: If the Index Figure relating to any month (the "**relevant month**") which is required to be taken into account for the purposes of the determination of the Index Figure for any date is not published on or before the fourteenth Business Day before the date on which such payment is due (the "**date for payment**") (otherwise than because the Index has ceased to be published), the Index Figure applicable to the relevant month shall be (1) such substitute index figure (if any) as the Issuer Note Trustee considers to have been published by the United Kingdom Debt Management Office or the Bank of England, as the case may be, (or such other body designated by the UK government for such purpose) for the purposes of indexation of payments on the Reference Gilt or, failing such publication, on any one or more issues of index linked Treasury Stock selected by an Indexation Adviser (and approved by the Issuer Note Trustee); or (2) if no such determination is made by such Indexation Adviser within seven days, the Index Figure last published (or, if later, the substitute index figure last determined pursuant to Condition 7(c)(ii)(1)) before the date for payment.

(d) ***Application of Changes***

Where the provisions of Condition 7(c)(ii) (*Delay in publication of Index*) apply, the determination of the Indexation Adviser as to the Index Figure applicable to the month in which the date for payment falls shall be conclusive and binding. If, an Index Figure having been applied pursuant to Condition 7(c)(ii)(2), the Index Figure relating to the relevant month is subsequently published while a Note is still outstanding, then:

(i) in relation to a payment of principal or interest in respect of such Note other than upon final redemption of such Note, the principal or interest (as the case may be) next payable after the date of such subsequent publication shall be increased or reduced by an amount equal to (respectively) the shortfall or excess of the amount of the relevant payment made on the basis of the Index Figure applicable by virtue of Condition 7(c)(ii)(2), below or above the amount of the relevant payment that would have been due if the

Index Figure subsequently published had been published on or before the fourteenth Business Day before the date for payment; and

- (ii) in relation to a payment of principal or interest upon final redemption, no subsequent adjustment to amounts paid will be made.

(e) ***Cessation of or Fundamental Changes to the Index***

- (i) If (1) the Issuer Note Trustee has been notified by the Agent Bank (or the Calculation Agent, if applicable) that the Index has ceased to be published or (2) any change is made to the coverage or the basic calculation of the Index which constitutes a fundamental change which would, in the opinion of the Issuer Note Trustee acting solely on the advice of an Indexation Adviser, be materially prejudicial to the interests of the Noteholders, the Issuer Note Trustee will give written notice of such occurrence to the Issuer, and the Issuer and the Issuer Note Trustee together shall seek to agree for the purpose of the Notes one or more adjustments to the Index or a substitute index (with or without adjustments) with the intention that the same should leave the Issuer and the Noteholders in no better and no worse position than they would have been had the Index not ceased to be published or the relevant fundamental change not been made.

- (ii) If the Issuer and the Issuer Note Trustee fail to reach agreement as mentioned above within 20 Business Days following the giving of notice as mentioned in paragraph (i), a bank or other person in London shall be appointed by the Issuer and the Issuer Note Trustee or, failing agreement on and the making of such appointment within 20 Business Days following the expiry of the 20 Business Day period referred to above, by the Issuer Note Trustee (in each case, such bank or other person so appointed being referred to as the "**Expert**"), to determine for the purpose of the Notes one or more adjustments to the Index or a substitute index (with or without adjustments) with the intention that the same should leave the Issuer and the Noteholders in no better and no worse position than they would have been had the Index not ceased to be published or the relevant fundamental change not been made. Any Expert so appointed shall act as an expert and not as an arbitrator and all fees, costs and expenses of the Expert and of any Indexation Adviser and of any of the Issuer and the Issuer Note Trustee in connection with such appointment shall be borne by the Issuer.

- (iii) If any payment in respect of the Notes is due to be made after the cessation or changes referred to in Condition 7(e)(i) but before any such adjustment to, or replacement of, the Index takes effect, the Issuer shall (if the Index Figure applicable (or deemed applicable) to the relevant month is not available in accordance with the provisions of Condition 7(c)(i) (*Change in base*) above) make a provisional payment on the basis that the Index Figure applicable to the month in which such payment is due to be made is the Index Figure last published. In that event, or in the event of any payment (also referred to below as a "**provisional payment**") on the Notes having been made on the basis of an Index applicable under Condition 7(c)(ii) (1) and the Issuer Note Trustee (acting solely on the advice of an Indexation Adviser) subsequently determining that the relevant circumstances fall within this Condition 7(e) (*Cessation of or Fundamental Changes to the Index*), then:

- (A) in relation to a payment of principal or interest in respect of the Notes other than upon final redemption of such Note, if the sum which would have been payable if such adjustment of substitute index had been in effect on the due date for such payment is greater or less than the amount of such provisional payment, the Interest Amount payable on the Notes on the Interest Payment Date next succeeding the date on which such adjustment or substitute index becomes effective shall be increased or reduced to reflect the amount by which such provisional payment fell short of, or (as the case may be) exceeded, the sum which would have been paid on the Notes if such adjustment or substituted index had been in effect on that date; or

- (B) in relation to a payment of principal or interest upon final redemption, no subsequent adjustment to amounts paid will be made.

- (iv) The Index shall be adjusted or replaced by a substitute index as agreed by the Issuer and the Issuer Note Trustee or as determined by the Expert pursuant to the foregoing paragraphs, as the case may be, and references in these Conditions to the Index and to any Index Figure shall be deemed amended in such manner as the Issuer Note Trustee and the Issuer agree are appropriate to give effect to such adjustment or replacement. Such amendments shall be effective from the date of such notification and binding upon the Issuer, the other Issuer Secured Creditors, the Issuer Note Trustee and the Noteholders, and the Issuer shall give notice to the Noteholders in accordance with Condition 17 (*Notices*) of such amendments as promptly as practicable following such notification.

8. **Redemption, Purchase and Cancellation**

(a) ***Scheduled Redemption***

Unless previously redeemed in full, or purchased and cancelled as provided below, or unless such Note is stated in the relevant Final Terms as having no fixed maturity date, the Notes will be redeemed on the Scheduled Redemption Date as follows and to the following extent:

- (i) if, by the Scheduled Redemption Date, the Issuer has received repayment of the related advances (in accordance with the provisions of each relevant On-Loan Agreement) of an aggregate principal amount **equal** to the Principal Amount Outstanding (in the case of Indexed Notes as adjusted in accordance with Condition 7(b) (*Application of the Index Ratio*)) plus accrued but unpaid interest, then the Notes will be redeemed in full (after exchange of such principal amount to the relevant currency pursuant to the relevant Cross-Currency Hedge Agreement, if such a Cross-Currency Hedge Agreement has been entered into); and
- (ii) if, by the Scheduled Redemption Date, the Issuer has received repayment of the related advances (in accordance with the provisions of each relevant On-Loan Agreement) of an aggregate principal amount **less** than the Principal Amount Outstanding (in the case of Indexed Notes as adjusted in accordance with Condition 7(b) (*Application of the Index Ratio*)) plus accrued but unpaid interest, then the Notes will be redeemed *pro rata* in part to the extent of the amount which is so deposited (after exchange of such principal amount to the relevant currency pursuant to the relevant Cross-Currency Hedge Agreement, if such a Cross-Currency Hedge Agreement has been entered into).

If the Notes are not redeemed in full by the Scheduled Redemption Date, then on each Interest Payment Date which thereafter occurs, the Notes will be redeemed in full or, as the case may be, *pro rata* in part to the extent of the amount (after exchange of such principal amount to the relevant currency pursuant to the relevant Cross-Currency Hedge Agreement, if such a Cross-Currency Hedge Agreement has been entered into or, if there is no longer a Cross-Currency Hedge Agreement in place and the Notes are denominated in a currency other than the currency of the related advance, at a spot rate of exchange) which, if any, is received by the Issuer in repayment of the related advance(s) (in accordance with the provisions of each relevant On-Loan Agreements) until the earlier of (a) such time as the Notes are redeemed in full or (b) the Final Maturity Date specified in the relevant Final Terms for the Notes.

(b) ***Final Redemption***

If the Notes have not previously been redeemed in full, or purchased and cancelled, the Notes will be finally redeemed at the then Principal Amount Outstanding (in the case of Indexed Notes as adjusted in accordance with Condition 7(b) (*Application of the Index Ratio*)) plus accrued but unpaid interest on the Final Maturity Date specified in the relevant Final Terms.

(c) ***Redemption of Zero Coupon Notes after Scheduled Redemption Date***

If the relevant Final Terms specifies that there is a Scheduled Redemption Date for the Notes, the Redemption Amount payable upon redemption of a Zero Coupon Note at any time after the Scheduled Redemption Date shall be an amount equal to the sum of:

- (i) the Redemption Amount that would have been payable if the Note had been redeemed on the Scheduled Redemption Date; and
- (ii) the product of the Accrual Yield (compounded annually) being applied to such amount from (and including) the Scheduled Redemption Date to (but excluding) the date of redemption or (as the case may be) the date upon which the Note becomes due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Final Terms for the purposes of Condition 8(k) (*Cancellation*) or, if none is so specified, a Day Count Fraction of 30/360.

In these Conditions, "**Accrual Yield**" has the meaning given to it in the relevant Final Terms.

(d) ***Optional Redemption***

Subject as provided below, upon giving not more than 15 nor less than 5 Business Days' prior written notice to the Issuer Note Trustee, the Noteholders (in accordance with Condition 17 (*Notices*)) and the other Issuer Secured Creditors, the Issuer may (prior to the Final Maturity Date) redeem the Notes in whole or in part (but if in part only in respect of the Corresponding Notes in relation to, and to the extent of, principal amounts equal and corresponding to such amount of the relevant Allocated On-Loan Amount as has been prepaid pursuant to the terms of the relevant On-Loan Agreement) at their Redemption Amount, **provided that** Notes may be redeemed only on an Interest Payment Date, as follows:

- (i) In respect of Fixed Rate Notes denominated in Sterling, the Redemption Amount will, unless otherwise specified in the relevant Final Terms, be an amount equal to the higher of (i) their Principal Amount Outstanding and (ii) the price determined to be appropriate by an Adviser (as defined below) being the price at which the Gross Redemption Yield (as defined below) on such Notes on the Reference Date (as defined below) is equal to the Gross Redemption Yield at 3:00 p.m. (London time) on the Reference Date on the Reference Gilt (as defined below) while that stock is in issue, and thereafter such UK government stock as the Issuer may, with the advice of three persons operating in the gilt edged market (selected by the Issuer and approved by the Issuer Note Trustee) determine to be appropriate, plus accrued but unpaid interest on the Principal Amount Outstanding.

For the purposes of this Condition 8(d)(i), "**Gross Redemption Yield**" means a yield expressed as a percentage and calculated on a basis consistent with the basis indicated by the UK Debt Management Office publication "**Formulae for Calculating Gilt Prices from Yields**" published on 8 June 1998 with effect from 1 November 1998 and updated on 15 January 2002, page 5 or any replacement therefor and, for the purposes of such calculation, the date of redemption of the relevant Fixed Rate Notes shall be assumed to be the Scheduled Redemption Date and not Final Maturity Date; "**Reference Date**" means the date which is two Business Days prior to the despatch of the notice of redemption under this Condition 8(d)(i); and "**Reference Gilt**" means the Treasury Stock specified in the relevant Final Terms.

- (ii) In respect of Floating Rate Notes, the Redemption Amount will, unless otherwise specified in the relevant Final Terms, be the Principal Amount Outstanding plus any premium for early redemption in certain years (as specified in the relevant Final Terms) plus any accrued but unpaid interest on the Principal Amount Outstanding.
- (iii) In respect of Indexed Notes denominated in Sterling, the Redemption Amount will (unless otherwise specified in the relevant Final Terms) be the higher of (i) the Principal Amount Outstanding and (ii) the price determined to be appropriate (without any additional indexation beyond the implicit indexation in such determined price) by an Adviser as being the price at which the Gross Real Redemption Yield (as defined below) on the Notes on the Reference Date (as defined below) is equal to the Gross Real Redemption Yield at 3:00 p.m. (London time) on the Reference Date on the Reference Gilt while that stock is in issue, and thereafter such UK government stock as the Issuer

may, with the advice of three persons operating in the gilt edged market, (selected by the Issuer and approved by the Issuer Note Trustee), determine to be appropriate, plus accrued but unpaid interest (as adjusted in accordance with Condition 7(b) (*Application of the Index Ratio*)) on the Principal Amount Outstanding.

For the purposes of this Condition 8(d)(iii), "**Gross Real Redemption Yield**" means a yield expressed as a percentage and calculated on a basis consistent with the basis indicated by the UK Debt Management Office publication "**Formulae for Calculating Gilt Prices from Yields**" published on 8 June 1998 with effect from 1 November 1998 and updated on 15 January 2002, page 4 or any replacement therefor, and, for the purposes of such calculation, the date of redemption of the relevant Indexed Notes shall be assumed to be Scheduled Redemption Date and not the Final Maturity Date; "**Reference Date**" means the date which is two Business Days prior to the despatch of the notice of redemption under this Condition 8(d)(iii); and "**Reference Gilt**" means the Treasury Stock specified in the relevant Final Terms.

- (iv) In respect of Fixed Rate Notes denominated in euro, the Redemption Amount will, unless otherwise specified in the relevant Final Terms, be an amount equal to the sum of accrued interest and the higher of (i) the Par Amount and (ii) the EUR Make Whole Amount, where:

"**Par Amount**" means the Principal Amount Outstanding;

"**EUR Make Whole Amount**" means the amount notified in writing to the Issuer Note Trustee by the Adviser equal to the product of (i) the Par Amount and (ii) the aggregate (expressed as a percentage of the Par Amount) of the present values of: (A) the Par Amount and (B) the Interest Amount, as applicable, payable in respect of the Par Amount on each Interest Payment Date from (but excluding) the date of prepayment of the corresponding advances under the relevant On-Loan Agreements to (and including) the relevant Final Maturity Date of the corresponding advance under the relevant On-Loan Agreements, in each case calculated by discounting the relevant amount from the date it would otherwise have been payable under the On-Loan Agreements to the date of prepayment of the corresponding relevant advance under relevant the On-Loan Agreements (or part thereof) by reference to the Swap Rate as determined by the Adviser at the Determination Date;

"**Swap Rate**" means the mid market quotation rate for a swap period equal to the duration of the relevant Tranche of Notes at the time of the prepayment of the corresponding advance under the relevant On-Loan Agreements denominated in EUR and calculated on a 30/360-day basis with semi annual payments against 6 month EURIBOR; and

"**Adviser**" means a financial adviser in London (selected by the Issuer and approved by the Issuer Note Trustee).

In any such case, prior to giving any such notice, the Issuer must certify (as further specified in the Transaction Documents) to the Issuer Note Trustee that it will have the funds, not subject to any interest (other than under the Issuer Security) of any other person, required to redeem the Notes as aforesaid.

(e) ***Redemption for Index Event, Taxation or Other Reasons***

- (i) **Redemption for Index Events:** Upon the occurrence of any Index Event (as defined below), the Issuer may, upon giving not more than 15 nor less than 5 Business Days' prior written notice to the Issuer Note Trustee, the Issuer Secured Creditors and the holders of the Indexed Notes in accordance with Condition 17 (*Notices*), redeem all (but not some only) of the Indexed Notes of all Series of Notes on any Interest Payment Date at the Principal Amount Outstanding (adjusted in accordance with Condition 7(b) (*Application of Index Ratio*)) plus accrued but unpaid interest. No single Series of Indexed Bonds may be redeemed in these circumstances unless all the other Series of Indexed Bonds linked to the same underlying Index are also redeemed at the same time.

Before giving any such notice, the Issuer shall provide to the Issuer Note Trustee and the Issuer Secured Creditors a certificate signed by two Authorised Signatories (a) stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (b) confirming that the Issuer will have sufficient funds on such Interest Payment Date to effect such redemption.

"**Index Event**" means if the Index Figure for three consecutive months falls to be determined on the basis of an Index Figure previously published as provided in Condition 7(c)(ii) (*Delay in publication of Index*) and the Issuer Note Trustee has been notified by the Principal Paying Agent that publication of the Index has ceased and no amendment or substitution of the Index has been advised by the Indexation Adviser to the Issuer and such circumstances are continuing.

- (ii) Redemption for Taxation Reasons: In addition, if at any time the Issuer satisfies the Issuer Note Trustee, that (a) the Issuer would become obliged to deduct or withhold from any payment of interest or principal in respect of the Notes, any amount for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the laws or regulations of the UK or any political subdivision thereof, or any other authority thereof by reason of any change in or amendment to such laws or regulations or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction) ("**Taxes**"), (b) an AssetCo would on the next Interest Payment Date be required to make any withholding or deduction for or on account of any Taxes from payments in respect of the relevant On-Loan Agreement or, in each case, by reason of a change in law (or the application or official interpretation thereof), which change becomes effective on or after the Issue Date in relation to the relevant Notes or On-Loan Agreement, then the Issuer shall (in the case of (a) or (b) above), in order to avoid the relevant deductions or withholding use its reasonable endeavours to mitigate any such withholding, deduction or illegality. If the Issuer is unable to mitigate any such withholding, deduction or illegality and, as a result, the relevant deduction or withholding is continuing then the Issuer may, upon giving not more than 15 nor less than 5 Business Days' prior written notice to the Issuer Note Trustee, the Issuer Secured Creditors and the Noteholders in accordance with Condition 17 (*Notices*), redeem all (but not some only) of the affected Series of Notes on any Interest Payment Date at their Principal Amount Outstanding plus accrued but unpaid interest thereon (each adjusted, in the case of Indexed Notes, in accordance with Condition 7(b) (*Application of the Index Ratio*)). Before giving any such notice of redemption, the Issuer shall provide to the Issuer Note Trustee and the Issuer Secured Creditors a certificate signed by a director of the Issuer (a) stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have been satisfied and (b) confirming that the Issuer will have sufficient funds on such Interest Payment Date to discharge all its liabilities in respect of the Notes and any amounts under the Issuer Deed of Charge to be paid in priority to, or *pari passu* with, such Notes under the Issuer Priority of Payments. Upon the expiry of any such notice as is referred to in this Condition 8(e)(ii), the Issuer shall be bound to redeem the Notes in accordance with this Condition 8(e)(ii).

The Issuer Note Trustee and the Issuer Secured Creditors shall be entitled to accept and rely on any certificate referred to in this Condition 8(e) as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event they shall be conclusive and binding on the Noteholders, the Receiptholders and the Couponholders.

- (f) ***Early redemption on termination of a Project Agreement***

Upon receipt of any Termination Proceeds, the Issuer shall, on the following Interest Payment Date and upon giving not more than 10 nor less than 5 Business Days' notice to the Issuer Note Trustee, the Noteholders in accordance with Condition 17 (*Notices*) and the other Issuer Secured Creditors redeem the Corresponding Notes in relation to, and to the extent of, principal amounts equal and corresponding to such amount of the relevant Allocated On-Loan Amount as has been

prepaid pursuant to the terms of the relevant On-Loan Agreement in amounts calculated as follows:

- (i) in the case of Par Termination Proceeds, at their Principal Amount Outstanding (in the case of Indexed Notes as adjusted in accordance with Condition 7(b) (*Application of the Index Ratio*)) together with accrued but unpaid interest; or
- (ii) in the case of Make Whole Termination Proceeds, at their Principal Amount Outstanding (adjusted in accordance with Condition 7(b) (*Application of Index Ratio*)) in redemption of the principal amount of Notes (the "**Par Redemption Amount**") together with accrued but unpaid interest plus an amount (if positive) equal to the amount (if any) by which the Early Redemption Price exceeds the Par Redemption Amount in each case in respect of the relevant Allocated On-Loan Amount,

in each case plus accrued but unpaid interest and excluding payment of any amounts due on termination of an AssetCo Hedge Agreement relating to the On-Loan(s) being prepaid, where:

**"Early Redemption Price"** means an amount equivalent to the amount payable on the redemption of the Notes in accordance with Condition 8(d)(i), in the case of Fixed Rate Notes, Condition 8(d)(ii), in the case of Floating Rate notes, Condition 8(d)(iii), in the case of Indexed Notes and Condition 8(d)(iv), in the case of Fixed Rate Notes denominated in euro;

**"Make Whole Termination Proceeds"** means in respect of any termination of the principal Project Agreement to which an AssetCo is a party, the amount representing compensation payable by the relevant University in respect of the relevant On-Loan if such amount exceeds the Par Termination Proceeds;

**"Par Termination Proceeds"** means, in respect of any termination of the principal Project Agreement to which an AssetCo is a party, the amount representing compensation payable by the relevant University which amount is calculated as being equal to the principal amount outstanding of such On-Loan Agreement together with accrued interest;

**"Termination Proceeds"** means either Make Whole Termination Proceeds or Par Termination Proceeds.

(g) ***Early redemption on prepayment of an On-Loan Agreement***

The Issuer shall, on the following Interest Payment Date and upon giving not more than 10 nor less than 5 Business Days' notice to the Issuer Note Trustee, the Noteholders in accordance with Condition 17 (*Notices*) and the other Issuer Secured Creditors and redeem the Corresponding Notes in whole or in part in relation to, and to the extent of, principal amounts equal and corresponding to such amount of the relevant Allocated On-Loan Amount as has been prepaid pursuant to the terms of the relevant On-Loan Agreement at their Principal Amount Outstanding (in the case of Indexed Notes as adjusted in accordance with Condition 7(b) (*Application of the Index Ratio*)) plus accrued but unpaid interest on the following Interest Payment Date in the event of prepayment of an On-Loan Agreement other than as contemplated by or in accordance with Condition 8(d) (*Optional Redemption*) or Condition 8(f) (*Early redemption on termination of a Project Agreement*).

(h) ***Early redemption of Zero Coupon Notes***

Unless otherwise specified in the relevant Final Terms, the Redemption Amount payable on redemption of a Zero Coupon Note at any time before the Final Maturity Date shall be an amount equal to the sum of:

- (i) the Reference Price; and
- (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Note becomes due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Final Terms for the purposes of this Condition 8(h) or, if none is so specified, a Day Count Fraction of 30/360.

In these Conditions, "**Accrual Yield**" and "**Reference Price**" have the meanings given to them in the relevant Final Terms.

(i) ***Purchase of Notes***

Any Note purchased by the Issuer or any other Connected Creditor shall, for so long as it is held by them (or on their behalf), cease to have voting rights and be excluded from any quorum or voting calculations set out in the Conditions.

While the Notes are represented by a Global Note or Global Note Certificate, the relevant Global Note or Global Note Certificate will be endorsed to reflect the Principal Amount Outstanding of Notes to be so redeemed or purchased.

(j) ***Redemption by Instalments***

Unless previously redeemed, purchased and cancelled as provided in this Condition 8, each Note which provides for Instalment Dates (as specified in the relevant Final Terms) and Instalment Amounts (as specified in the relevant Final Terms) will be partially redeemed on each Instalment Date at the Instalment Amount.

(k) ***Cancellation***

Any Bearer Notes or Registered Notes which are purchased by or on behalf of the Issuer shall, in each case, be surrendered to or to the order of the Principal Paying Agent or the Registrar, as the case may be, for cancellation and, if so surrendered, will, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with, in the case of Bearer Notes, all unmatured Receipts and Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

(l) ***Definitions***

For the purposes of this Condition 8 (*Redemption, Purchase and Cancellation*):

"**Allocated On-Loan Amount**" means, in respect of any payment date, the principal amount originally scheduled to fall due from the relevant AssetCo under its On-Loan Agreement which corresponds to a principal amount originally scheduled to fall due from the Issuer in respect of the Corresponding Notes on such payment date as set out in the repayment schedule of the relevant On-Loan Agreement and the Final Terms.

"**Corresponding Notes**" means the Notes issued by the Issuer the proceeds of which, in whole or in part, are advanced by the Issuer to the relevant AssetCo as an On-Loan and in respect of which the rate of interest and scheduled principal payable by such AssetCo pursuant to the terms of the relevant On-Loan Agreement corresponds to the rate of interest and (in aggregate) the Relevant Proportion of the scheduled principal payable by the Issuer in respect of such Notes.

"**Relevant Proportion**" means:

- (a) in the case of fixed rate On-Loans, the proportion that the principal amount of such fixed rate On-Loans of the relevant AssetCo bears to the aggregate principal amount of On-Loans of all AssetCos with a corresponding fixed rate of interest;
- (b) in the case of index-linked On-Loans, the proportion that the principal amount of index-linked On-Loans of the relevant AssetCo bears to the aggregate principal amount of On-Loans of all AssetCos with corresponding index-linked payment obligations; and



- (c) in the case of any On-Loans with any other payment terms, the proportion that the principal amount of On-Loans of the relevant AssetCo with such payment terms bears to the aggregate principal amount of On-Loans with corresponding payment terms of all AssetCos,

before taking into account any amount due to be paid under the On-Loan Agreement on the date of such calculation.

For the avoidance of doubt, any amounts applied pursuant to this Condition 8 (*Redemption, Purchase and Cancellation*) in redemption in whole or in part of the Corresponding Notes shall be applied pro rata as between such Corresponding Notes.

9. **Payments**

(a) ***Bearer Notes***

Payments to the Noteholders of principal (or, as the case may be, Redemption Amounts or other amounts payable on redemption) and interest (or, as the case may be, Interest Amounts) in respect of Bearer Notes will, subject as mentioned below, be made against presentation and surrender of the relevant Receipts (in the case of payment of Instalment Amounts other than on the due date for final redemption and **provided that** the Receipt is presented for payment together with its relative Note), Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 9(f) (*Unmatured Coupons and Receipts and Unexchanged Talons*)) or Coupons (in the case of interest, save as specified in Condition 9(f) (*Unmatured Coupons and Receipts and Unexchanged Talons*)), as the case may be, at the specified office of any Paying Agent outside the United States of America by transfer to an account denominated in the currency in which such payment is due with, or (in the case of Notes in definitive form only) a cheque payable in that currency drawn on, a bank in (i) the principal financial centre of that currency **provided that** such currency is not euro, or (ii) the principal financial centre of any Participating Member State if that currency is euro.

No payment of principal and/or interest in respect of a Bearer Note with an original maturity of more than 365 days will be made by a transfer of funds into an account maintained by the payee in the United States or by mailing a cheque to an address in the United States, except as provided in Condition 9(c) (*Payments in the United States of America*).

(b) ***Registered Notes***

Payments of principal (or, as the case may be, Redemption Amounts) in respect of Registered Notes will be made to the holder (or the first named of joint holders) of such Note against presentation and surrender of the relevant Registered Note at the specified office of the Registrar and in the manner provided in Condition 9(a) (*Bearer Notes*).

Payments of instalments in respect of Registered Notes will be made to the holder (or the first named of joint holders) of such Note against presentation of the relevant Registered Note at the specified office of the Registrar in the manner provided in Condition 9(a) (*Bearer Notes*) above and annotation of such payment on the Register and the relevant Note Certificate.

Interest (or, as the case may be, Interest Amounts) on Registered Notes payable on any Interest Payment Date will be paid to the holder (or the first named if joint holders) on the Business Day before the due date for payment thereof (the "**Record Date**"). Payment of interest or Interest Amounts on each Registered Note will be made in the currency in which such payment is due by cheque drawn on a bank in (a) the principal financial centre of the country of the currency concerned, **provided that** such currency is not euro, or (b) the principal financial centre of any Participating Member State if that currency is euro and mailed to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register. Upon application by the Noteholder to the specified office of the Registrar before the relevant Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a bank in (a) the principal financial centre of the country of that currency **provided that** such currency is not euro, or (b) the principal financial centre of any Participating Member State if that currency is euro.

A record of each payment so made will be endorsed on the schedule to the Global Note or the Global Note Certificate by or on behalf of the Principal Paying Agent or the Registrar, as the case may be, which endorsement shall be *prima facie* evidence that such payment has been made.

(c) ***Payments in the United States of America***

Notwithstanding the foregoing, if any Bearer Notes are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if:

- (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States of America with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due;
- (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts; and
- (iii) such payment is then permitted by the law of the United States of America, without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

(d) ***Payments subject to fiscal laws; payments on Global Notes and Registered Notes***

All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives, but without prejudice to the provisions of this Condition 9. No commission or expenses shall be charged to the Noteholders, Couponholders or Receiptholders (if any) in respect of such payments.

The holder of a Global Note or Global Note Certificate shall be the only person entitled to receive payments of principal (or Redemption Amounts) and interest (or Interest Amounts) on the Global Note or Global Note Certificate (as the case may be) and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Note or Global Note Certificate in respect of each amount paid.

(e) ***Appointment of the Agents***

The Paying Agents, the Agent Bank, the Transfer Agents and the Registrar (the "**Agents**") (and their respective specified offices) are parties to the Agency Agreement. Any Calculation Agent will be listed in the relevant Final Terms and will be appointed pursuant to a Calculation Agency Agreement. The Agents act solely as agents of the Issuer Obligors (and, in the circumstances set out in the Agency Agreement, the Issuer Note Trustee) and do not assume any obligation or relationship of agency or trust for or with any holder.

The Issuer Obligors may revoke the appointment of any Agent as their agent in relation to any Series of Notes by not less than 30 days' notice to that effect to such Agent and the Issuer Note Trustee (with a copy, in the case of the Agent Bank, to the Principal Paying Agent and the Registrar, in the case of a Paying Agent other than the Principal Paying Agent, to the Principal Paying Agent and, in the case of a Transfer Agent, to the Registrar) provided, however, that in respect of any Series of Notes, in the case of a Required Agent, such revocation shall not be effective until a successor thereto has been appointed by the Issuer Obligors as their agent in relation to such Series of Notes in accordance with the terms of the Agency Agreement and (in the case of the Principal Paying Agent or the Registrar) **provided that** not less than 30 days' notice of such appointment has been given in accordance with the Conditions.

As used above a "**Required Agent**" means (if and for so long as any Bearer Notes are outstanding) a Principal Paying Agent, (if and for so long as any Registered Notes are outstanding) a Registrar, (if and for so long as any Floating Rate Notes or Indexed Notes are outstanding) an Agent Bank or Calculation Agent (as specified in the relevant Final Terms), a Paying Agent with a Specified Office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced to conform to, such

Directive and (if and for so long as any Notes are admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent, Transfer Agent or Registrar in any particular place) a Paying Agent, Transfer Agent and/or Registrar, as applicable, having its Specified Office in the place required by such listing authority, stock exchange and/or quotation system.

(f) ***Unmatured Coupons and Receipts and Unexchanged Talons***

- (i) Subject to the provisions of the relevant Final Terms, upon the due date for redemption of any Note which is a Bearer Note (other than a Fixed Rate Note, unless it has all unmaturing Coupons attached), unmaturing Coupons and Receipts relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.
- (ii) Upon the date for redemption of any Note, any unmaturing Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.
- (iii) Upon the due date for redemption of any Note which is redeemable in instalments, all Receipts relating to such Note having an Instalment Date falling on or after such due date (whether or not attached) shall become void and no payment shall be made in respect of them.
- (iv) Where any Note, which is a Bearer Note and is a Fixed Rate Note, is presented for redemption without all unmaturing Coupons and any unexchanged Talon relating to it, a sum equal to the aggregate amount of the missing unmaturing Coupons will be deducted from the amount of principal due for payment and, redemption shall be made only against the provision of such indemnity as the Issuer may require.
- (v) If the due date for redemption of any Note is not an Interest Payment Date, interest accrued from the preceding Interest Payment Date or the Interest Commencement Date, as the case may be, or the Interest Amount payable on such date for redemption shall only be payable against presentation (and surrender if appropriate) of the relevant Note and Coupon.

(g) ***Payment Business Days***

Subject as provided in the relevant Final Terms, if any date for payment in respect of any Note, Receipt or Coupon is not a Payment Business Day, the holder shall not be entitled to payment until the next following Payment Business Day nor to any interest or other sum in respect of such postponed payment. In this paragraph, "**Payment Business Day**" means:

if the currency of payment is euro, any day which is:

- (i) a day on which banks in the relevant place of presentation are open for presentation and payment of debt securities and for dealings in foreign currencies; and
- (ii) in the case of payment by transfer to an account, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) additional city or cities specified in the relevant Final Terms; or
- (iii) if the currency of payment is not euro, any day which is:
  - (A) a day on which banks in the relevant place of presentation are open for presentation and payment of debt securities and for dealings in foreign currencies; and
  - (B) in the case of payment by transfer to an account, a day on which dealings in foreign currencies may be carried on in each (if any) additional city or cities specified in the relevant Final Terms.

(h) **Talons**

On or after the Interest Payment Date for the final Coupon forming part of a coupon sheet issued in respect of any Note, the Talon forming part of such coupon sheet may be surrendered at the specified office of any Paying Agent in exchange for a further coupon sheet (and if necessary another Talon for a further coupon sheet) (but excluding any Coupons which may have become void pursuant to Condition 13 (*Prescription*)).

10. **Taxation**

- (a) All payments in respect of the Notes, Receipts or Coupons will be made (whether by the Issuer, any Paying Agent, the Registrar or the Issuer Note Trustee) free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or charges of whatsoever nature unless the Issuer, any Paying Agent or the Registrar or, where applicable, the Issuer Note Trustee is required by applicable law to make any payment in respect of the Notes, Receipts or Coupons subject to any withholding or deduction for, or on account of, any present or future taxes, duties, assessments or charges of whatsoever nature. In that event, the Issuer, such Paying Agent, the Registrar or the Issuer Note Trustee, as the case may be, shall make such payment after such withholding or deduction has been made and shall account to the relevant authorities for the amount so required to be withheld or deducted. None of the Issuer, any Paying Agent, the Registrar or the Issuer Note Trustee will be obliged to make any additional payments to the Noteholders, Receiptholders or the Couponholders in respect of such withholding or deduction. The Issuer, any Paying Agent, the Registrar or the Issuer Note Trustee may require holders to provide such certifications and other documents as required by applicable law in order to qualify for exemptions from applicable tax laws.
- (b) Notwithstanding any other provision in these Conditions, the Issuer shall be permitted to withhold or deduct any amounts required by the rules of U.S. Internal Revenue Code Sections 1471 through 1474 (or any amended or successor provisions), pursuant to any inter-governmental agreement, or implementing legislation adopted by another jurisdiction in connection with these provisions, or pursuant to any agreement with the US Internal Revenue Service ("**FATCA withholding**"). The Issuer will have no obligation to pay additional amounts or otherwise indemnify a holder for any FATCA withholding deducted or withheld by the Issuer, a Paying Agent or any other party as a result of any person not being entitled to receive payments free of FATCA withholding.

11. **Issuer Events of Default**

- (a) In accordance with, and subject to, Schedule 11 of the Common Terms Agreement and the Issuer Deed of Charge, each and any of the following events shall be treated as an "**Issuer Event of Default**":
- (i) *Non-payment*: Default is made by the Issuer for a period of 5 Business Days in the payment of interest or principal on any Securities when due in accordance with the Conditions or the terms of the Private Placement Note Documents as the case may be;
  - (ii) *Breach of other obligations*: a default is made by any Issuer Obligor in the performance or observance of any obligation (other than a non-payment referred to in paragraph (i) above), condition, provision, representation or warranty binding upon or made by it under the Securities or the Issuer Transaction Documents, and except where in the opinion of the Issuer Security Trustee such default is not capable of remedy, such default continues for a period of 30 Business Days following the service of notice of default;
  - (iii) *Hedging*: default is made by the Issuer in the payment of any amount due under any Hedge Agreement, subject to any applicable grace period under the terms of the relevant Hedge Agreement;
  - (iv) *Insolvency*: an Insolvency Event occurs in relation to any Issuer Obligor;
  - (v) *Unlawfulness*: it is or will become unlawful for any Issuer Obligor to perform or comply with any of its obligations under or respect of the Securities or the Transaction Documents;

- (vi) *Repudiation*: any Issuer Obligor repudiates and refuses to acknowledge its payment obligations under the Securities or any Transaction Document;
  - (vii) *Payment default in excess of £50,000*: any Financial Indebtedness (other than the Securities or in respect of any Hedge Agreement) of any Issuer Obligor in aggregate in excess of £50,000 (indexed) is not paid when due (or within an applicable grace period) or is stated to be due and payable by reason of an event of default other than those amounts that it is contesting in good faith and by appropriate proceedings with adequate reserves established for such amounts;
  - (viii) *Creditors Process*: any expropriation, attachment, sequestration, execution, distress or analogous event on the property, undertakings or assets of any Issuer Obligor is not discharged within 30 days;
  - (ix) *Governmental Intervention*: a Governmental Authority takes steps that are reasonably likely to result in the seizure, expropriation, nationalisation or acquisition of the property, undertakings or assets of any Issuer Obligor;
  - (x) *Material Proceedings*: any litigation is started against any Issuer Obligor or its assets or revenue which would be reasonably likely to be adversely determined and which, if so adversely determined, would have a Material Adverse Effect;
  - (xi) *Security*: the Issuer Obligor Security ceases to be in full force and effect, or ceases to be first ranking Security or becomes unenforceable;
  - (xii) *Change of ownership*: the occurrence of a change in the ownership of any Issuer Obligor (other than HoldCo) except as permitted by the Issuer Transaction Documents; or
  - (xiii) *Authorisations*: an adverse modification or withdrawal of any consents, licences, authorisations and approvals required by any Issuer Obligor to enable the consummation of the transactions constituted by the Transaction Documents which has a Material Adverse Effect.
- (b) *Delivery of Enforcement Notice*: If any Issuer Event of Default occurs and is continuing, the Issuer Security Trustee (i) may, at any time, at its discretion and (ii) shall, upon being so directed by a resolution of the Qualifying Issuer Secured Creditors together representing at least 25 per cent. of the Outstanding Principal Amount of the Qualifying Issuer Senior Debt deliver an Issuer Enforcement Notice to the Issuer **provided that**, in either case, it is indemnified and/or secured and/or prefunded to its satisfaction. Enforcement in respect of any other Security in relation to the Obligors shall be subject to and in accordance with Clause 14 (*Security Enforceable*) of the Issuer Deed of Charge.
- (c) *Confirmation of no Issuer Event of Default*: ParentCo, pursuant to the terms of the Common Terms Agreement, shall provide written confirmation to the Trustees, on a semi-annual basis (and at any other time on request of either Trustee), that no Issuer Event of Default has occurred.
- (d) ***Consequences of the delivery of an Issuer Enforcement Notice***

Upon delivery of an Issuer Enforcement Notice in accordance with Condition 11(b) (*Delivery of Note Enforcement Notice*) then (i) the Issuer Note Trustee may, but is not obliged unless instructed by the Issuer Security Trustee acting on the instructions the Issuer Secured Creditors in accordance with the Issuer Deed of Charge, declare all Series of Notes then outstanding to be immediately due and repayable or (ii) all Series of the Notes then outstanding shall to the extent of receipt of any proceeds of enforcement of the Security immediately become due and repayable, in the case of each of (i) and (ii) above at their respective Principal Amount Outstanding (in the case of Indexed Notes, as adjusted in accordance with Condition 7(b) (*Application of the Index Ratio*)) plus accrued but unpaid interest (other than in the case of Zero Coupon Notes) and, in the case of Indexed Notes, as adjusted in accordance with Condition 7(b) (*Application of the Index Ratio*) and (iii) the Issuer Obligor Security shall become enforceable by the Issuer Security Trustee in accordance with the Issuer Obligor Security Documents.

**"Qualifying Issuer Secured Creditors"** means, each Issuer Secured Creditor to which Qualifying Issuer Senior Debt is owed.

**"Qualifying Issuer Senior Debt"** means, other than Securities held by Connected Creditors, (a) the principal amount outstanding under the Notes at such time; (b) the principal amount outstanding under the Private Placement Notes at such time; and (c) only (i) in relation to any vote by the Qualifying Issuer Secured Creditors on whether to take Enforcement Action and (ii) following the taking of Enforcement Action (**provided that**, for the avoidance of doubt, Entrenched Rights will apply at all times), a tranche for each Pari Passu Issuer Hedge Counterparty equal to (A) in relation to any Hedging Transaction arising under a Pari Passu Issuer Hedge Agreement in respect of which an Early Termination Date (as defined in the relevant Pari Passu Issuer Hedge Agreement) has been designated, the amount (if any) outstanding to the relevant Pari Passu Issuer Hedge Counterparty following such termination as calculated in accordance with the terms of the Pari Passu Issuer Hedge Agreement, and/or (B) otherwise, the mark-to-market value of all transactions arising under a Pari Passu Issuer Hedge Agreement to which it is a party to the extent that such value represents an amount which would be payable to the relevant Pari Passu Hedge Counterparty if an Early Termination Date (as defined in the relevant Pari Passu Issuer Hedge Agreement) was designated (assuming the relevant Pari Passu Hedge Counterparty is the Non-Defaulting Party and not an Affected Party (each such term as defined in the relevant Pari Passu Issuer Hedge Agreement)) at the latest practicable time for the calculation thereof prior to the deadline for submitting its votes in respect of a particular matter (which shall be by 3pm on the Business Day prior to the last Business Day of the relevant Decision Period).

For the avoidance of doubt no Hedge Counterparty in its capacity as party to a Super Senior Issuer Hedge Agreement shall have any voting rights other than in respect of its Entrenched Rights.

#### 12. **Enforcement Against Issuer Obligors**

No Noteholder, Receiptholder, Couponholder or other Issuer Secured Creditor is entitled to take any action against the Issuer Obligors or against any assets of the Issuer Obligors to enforce its rights in respect of the Notes or to enforce any of the Issuer Obligor Security unless the Issuer Security Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing. The Issuer Security Trustee shall, subject to being indemnified and/or secured and/or prefunded to its satisfaction against all fees, costs, expenses, liabilities, claims and demands to which it may thereby become liable for which it may incur by so doing, upon being so directed by the Qualifying Issuer Secured Creditors together holding or representing 25 per cent. or more of the Outstanding Principal Amount of the Qualifying Issuer Senior Debt enforce the Issuer Obligor Security in accordance with the Issuer Deed of Charge.

No Noteholder, Receiptholder, Couponholder or other Issuer Secured Creditor nor any person acting on its behalf (other than the Issuer Security Trustee or a Receiver (including an Administrative Receiver) appointed by the Issuer Security Trustee) shall have any right to (i) take or initiate any proceedings or steps against an Issuer Obligor to enforce the Issuer Obligor Security Documents including without limitation by way of attachment, execution or diligence; (ii) take or join any person in taking steps against any Issuer Obligor for the purposes of obtaining payment of any amount due whatsoever from such Issuer Obligor to such Issuer Secured Creditor, including the appointment of a Receiver (including an Administrative Receiver appointed by the Issuer Security Trustee), **provided that** nothing shall prevent an Issuer Secured Creditor from proving for the full amount owed to it by any Issuer Obligor in the liquidation of such Issuer Obligor, or (iii) initiate or join any person in initiating howsoever an Insolvency Event in relation to any Issuer Obligor.

#### 13. **Prescription**

Claims against the Issuer for payment in respect of the Notes, Receipts or Coupons (which, for this purpose, shall not include Talons) shall be prescribed and become void unless made within ten years (in the case of principal) or five years (in the case of interest) from the appropriate Note Relevant Date (as defined in Condition 6(i) (*Definitions*)) in respect thereof.

14. **Replacement of Notes, Coupons, Receipts and Talons**

If any Bearer Note, Registered Note, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed it may be replaced, subject to applicable laws and requirements of the Stock Exchange (in the case of listed Notes) (and each other listing authority, stock exchange and or quotation system upon which the relevant Notes have then been admitted to listing, trading and/or quotation), at the specified office of the Principal Paying Agent or, as the case may be, the Registrar upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

15. **Meetings of Noteholders, Modification, Waiver and Substitution**

(a) Meetings of Noteholders, Modifications and Waiver

The Note Trust Deed contains provisions for convening meetings of Noteholders to consider matters affecting their interests, including the modification of these Conditions, the Note Trust Deed and any other Issuer Transaction Document to which the Issuer Note Trustee is a party or in relation to the Issuer Obligor Security. Any modification may (except in relation to any Ordinary Voting Matter or Extraordinary Voting Matter or matter giving rise to an Entrenched Right and subject to the provisions concerning ratification and/or meetings of Noteholders as set out in Condition 15(c) (*Modification, Waiver and Substitution*) and the Note Trust Deed)) be made if sanctioned by a resolution passed at a meeting of the Noteholders duly convened and held in accordance with the Note Trust Deed by a majority of not less than 75 per cent. of the votes cast (an "**Extraordinary Resolution**") of such Noteholders. Such a meeting may be convened by the Issuer Note Trustee or the Issuer, or by the Issuer (failing which the Issuer Note Trustee) upon the request in writing of the Noteholders holding not less than one tenth of the aggregate Principal Amount Outstanding of the relevant outstanding Notes.

The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more persons holding or representing not less than 50 per cent. of the aggregate Principal Amount Outstanding of the relevant outstanding Notes or, at any adjourned meeting, one or more persons being or representing Noteholders, whatever the Principal Amount Outstanding of the relevant outstanding Notes held or represented, **provided however, that** certain proposals (the "**Basic Terms Modifications**") in respect of the holders of the Notes being any proposal:

- (i) to change any date fixed for payment of principal or interest in respect a Series of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes or (other than as specified in the Conditions), to alter the method of calculating the amount of any payment in respect of the Notes on redemption or maturity;
- (ii) to effect the exchange, conversion or substitution of a Series of Notes for, or their conversion into, shares, notes or other obligations or securities of the Issuer or any other person or body corporate formed or to be formed;
- (iii) to change the currency in which amounts due in respect of the Notes are payable other than pursuant to redenomination into euro pursuant to Condition 19 (*European Economic and Monetary Union*);
- (iv) to alter the Issuer Priority of Payments insofar as such alteration would affect the Notes;
- (v) to change the quorum required at any meeting or the majority required to pass an Extraordinary Resolution; or
- (vi) to amend the definition of "**Basic Terms Modification**" or this Condition 15(a) (*Meetings of Noteholders, Modifications and Waiver*),

may be sanctioned only by an Extraordinary Resolution passed at a meeting of Noteholders of the Series of Notes at which two or more persons holding or representing not less than 75 per cent. or, at any adjourned meeting, one or more persons holding or representing 25 per cent. of the aggregate Principal Amount Outstanding of the outstanding Notes form a quorum. Any

Extraordinary Resolution duly passed at any such meeting shall be binding on all the relevant Noteholders, Receipholders and Couponholders whether present or not.

In addition, a resolution in writing signed by or on behalf of all Noteholders who for the time being are entitled to receive notice of Noteholder meetings under the Note Trust Deed will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

A meeting of such Noteholders will also have the power (exercisable by Extraordinary Resolution) to advise or instruct the Issuer Note Trustee in connection with the exercise by the Issuer Note Trustee of any of its rights, powers and discretions under the Issuer Transaction Documents including, to appoint any persons (whether Noteholders or not) as a committee to represent the interests of such Noteholders and to confer upon such committee any powers which such Noteholders could themselves exercise by Extraordinary Resolution and, where requested by the Issuer Note Trustee, in relation to voting or providing directions under or in connection with the Issuer Deed of Charge or the Common Terms Agreement.

(b) ***Relationship with the Issuer Secured Creditors***

The Issuer Deed of Charge provides that in respect of, among other things, Ordinary Voting Matters and Extraordinary Voting Matters, SC Instruction Notices, Direction Notices and Enforcement Instruction Notices (each as defined in the Common Terms Agreement) the holders of the Notes shall be entitled to instruct the Issuer Note Trustee to vote on their behalf as their Secured Creditor Representative (as defined in the Common Terms Agreement).

For the purpose of voting in connection with a Proposal Request, SC Instruction Notice, Direction Notice, Enforcement Instruction Notice or Further Enforcement Instruction Notice, the Group Agent (in the case of a Proposal Request) or, as the case may be, the Issuer Security Trustee shall send a copy of such proposal or request for instructions to the Secured Creditor Representatives. The Issuer Note Trustee shall as soon as reasonably practicable forward a copy of such notice to the Noteholders in accordance with Condition 17 (*Notices*).

After obtaining the instruction of the Noteholders, the Issuer Note Trustee will vote in relation to the relevant Proposal Request in accordance with such instructions. Votes in respect of the relevant Series will be divided between votes cast in favour and votes cast against, on a pound for pound basis in respect of the Principal Amount Outstanding of Notes then owed to Noteholders that vote on a proposed resolution within the Decision Period.

Votes by the Noteholders through the Issuer Note Trustee cast in favour and against the relevant Proposal Request will then be aggregated by the Issuer Security Trustee with the votes by other Issuer Secured Creditors cast in favour and against the relevant Proposal Request. Irrespective of the result of voting by Noteholders in relation to a Proposal Request in respect of an Ordinary Voting Matter or an Extraordinary Voting Matter or in relation to an SC Instruction Notice, Direction Notice or Enforcement Instruction Notice, any such Proposal Request or decision in respect of an SC Instruction Notice, Direction Notice, Enforcement Instruction Notice or Further Enforcement Instruction Notice approved in accordance with the provisions of the Issuer Deed of Charge shall be binding on all of the Noteholders, Receipholders and Couponholders.

If a Proposal Request gives rise to an Entrenched Right whereby the Issuer is an Affected Issuer Secured Creditor, the Issuer Note Trustee shall forthwith, in accordance with the Note Trust Deed, convene a meeting of the holders of each Tranche of Notes then outstanding and affected by such Entrenched Right to consider the Proposal Request.

No Proposal Request that gives rise to an Entrenched Right including where the Issuer is an Affected Issuer Secured Creditor can be approved, in accordance with the terms of the Issuer Deed of Charge, unless it has previously been approved by an Extraordinary Resolution of the holders of the relevant Tranches of Notes affected by the Entrenched Right.

The Issuer Secured Creditor Voting Arrangements set out in the Issuer Deed of Charge are subject to adjustment in accordance with the Monitoring Services Agreement and each Issuer



Secured Creditor and Obligor will agree to be bound by such provision with respect to the exercise of any Financing Right (as defined in the Common Terms Agreement) by the Issuer or the AssetCo Security Trustee in relation to an AssetCo Monitoring Activity.

Conditions 15(a) and (b) in respect of meetings are subject to the further provisions of the Note Trust Deed.

(c) ***Modification, waiver and substitution***

As set out in the Note Trust Deed (and subject to the conditions and qualifications therein), the Issuer Note Trustee may, without the consent of the Noteholders or (subject as provided below) any other Issuer Secured Creditor, concur with, or instruct the Issuer Security Trustee to concur with, the Issuer or any other relevant parties in making (i) any modification to the Conditions or the Issuer Transaction Documents (subject as provided in the Issuer Deed of Charge and the Common Terms Agreement in relation to the Common Documents) or other document to which it is a party or in respect of which it holds security if in the opinion of the Issuer Note Trustee such modification is made to correct a manifest error, or an error of a formal, minor or technical nature or (ii) any modification (other than in respect of a Basic Terms Modification) to the Conditions or any Issuer Transaction Document (subject as provided the Issuer Deed of Charge and Common Terms Agreement in relation to any Common Document) if the Issuer Note Trustee is of the opinion that such modification is not materially prejudicial to the interests of the Noteholders of the Notes then outstanding (where "**materially prejudicial**" means that such modification, consent or waiver would not have a material adverse effect on the ability of the Issuer to perform its payment obligations to the Noteholders under the Issuer Transaction Documents) **provided that** to the extent such modification under (ii) above relates to an Entrenched Right, each of the affected Issuer Secured Creditors has given its prior written consent.

As more fully set out in the Note Trust Deed (and subject to the conditions and qualifications therein), the Issuer Note Trustee may, without the consent of the Noteholders (subject as provided below) or any other Issuer Secured Creditor and without prejudice to its rights in respect of any subsequent breach or Issuer Event of Default, from time to time and at any time but only if and in so far as in its opinion such waiver would not be materially prejudicial (as defined above) to the interests of the holders of the Notes then outstanding, (i) waive or authorise (or instruct the Issuer Security Trustee to waive or authorise) any breach or proposed breach by the Issuer of any of the covenants or provisions contained in the Conditions or any Issuer Transaction Document to which it is a party or in respect of which it holds security or determine that any event which would otherwise constitute an Issuer Event of Default shall not be treated as such for the purposes of the Note Trust Deed and/or (ii) instruct the Issuer Security Trustee to take any action under the Issuer Transaction Documents **provided that** to the extent such event, matter or thing relates to an Entrenched Right, each of the affected Issuer Secured Creditors has given its prior written consent and **provided further that** the Issuer Security Trustee shall not exercise such powers in contravention of any express direction given by Noteholders representing not less than 25 per cent. in aggregate of the principal amount of the Notes then outstanding) but no such direction or request shall affect any waiver or authorisation previously given or made or so as to authorise or waive any such proposed breach or breach relating to any Basic Terms Modification.

Any such modification, waiver or authorisation shall be binding on the Noteholders of each relevant Series and the holders of all relevant Receipts and Coupons and, in relation to any modification, waiver or authorisation given by the Issuer Security Trustee, the other Issuer Secured Creditors and, unless the Issuer Note Trustee agrees otherwise, notice thereof shall be given by the Issuer to the Noteholders in accordance with Condition 17 (*Notices*) as soon as practicable thereafter.

Notwithstanding that none of the Issuer Note Trustee, the Issuer Security Trustee, the Noteholders or the other Issuer Secured Creditors may have any right of recourse against the Rating Agencies in respect of any Ratings Confirmation given by them and relied upon by the Issuer Note Trustee or the Issuer Security Trustee, as the case may be the Issuer Note Trustee shall be entitled, for the purposes of exercising any power, trust, authority, duty or discretion under or in relation to these Conditions and/or the Issuer Transaction Documents to which it is a

party or over which it has security, to have regard to the Ratings Confirmation if, in any particular circumstance, it considers that the Ratings Confirmation is an appropriate test or the only appropriate test to apply in that circumstance in exercising any such power, trust, authority, duty or discretion or, as the case may be, in giving the relevant consent.

As more fully set forth in the Note Trust Deed (and subject to the conditions and qualifications therein), the Issuer Note Trustee may, without the consent of the Noteholders or any other Issuer Secured Creditor, also agree with the Issuer to the substitution of another corporation in place of any of the Issuer Obligors as principal debtor in respect of the Note Trust Deed and the Notes.

16. ***Issuer Note Trustee Protections***

(a) ***Trustee considerations***

Subject to Condition 16(b) (*Exercise of rights by Issuer Note Trustee*), in connection with the exercise, under these Conditions or any Issuer Transaction Document, of its rights, powers, trusts, authorities and discretions (including any modification, consent, waiver or authorisation), the Issuer Note Trustee shall have regard to the interests of the holders of the Notes then outstanding as a class **provided that**, if, in the Issuer Note Trustee's opinion, there is a conflict of interest between the holders of two or more Series or Tranches of Notes, it shall have regard to the interests of the holders of the Series or Tranche (as the case may be) then outstanding with the greatest Principal Amount Outstanding and will not have regard to the consequences of such exercise for the holders of other Series or Tranches of Notes or for individual Noteholders, resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory. The Issuer Note Trustee shall not be entitled to require from the Issuer, nor shall any Noteholders be entitled to claim from the Issuer or the Issuer Note Trustee, any indemnification or other payment in respect of any consequence (including any tax consequence) for individual Noteholders of any such exercise.

(b) ***Exercise of rights by Issuer Note Trustee***

Subject as provided in these Conditions and the Note Trust Deed, the Issuer Note Trustee will exercise its rights under, or in relation to, the Note Trust Deed, the Conditions, and any Issuer Transaction Documents in accordance with the directions of the relevant Noteholders, but the Issuer Note Trustee shall not be bound as against the Noteholders to take any such action unless it has (i) (a) been so requested in writing by the holders of at least 25 per cent. in nominal amount of the Notes outstanding or (b) been so directed by an Extraordinary Resolution and (ii) been indemnified and/or secured and/or prefunded to its satisfaction.

17. ***Notices***

Notices to holders of Registered Notes will be posted to them at their respective addresses in the Register and deemed to have been given on the date of posting. Other notices to Noteholders will be valid if published in a leading daily newspaper having general circulation in Ireland (which is expected to be the Irish Times). The Issuer shall also ensure that all notices are duly published in a manner which complies with the rules and regulations of the Stock Exchange and any other listing authority, stock exchange and/or quotation system on which the Notes are for the time being listed. Any such notice (other than to holders of Registered Notes as specified above) shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made. Couponholders and Receiptholders will be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Notes in accordance with this Condition 17.

So long as any Notes are represented by Global Notes or Global Note Certificates, notices in respect of those Notes may be given only by delivery of the relevant notice to Euroclear Bank SA/NV or Clearstream Banking, *société anonyme* or any other relevant clearing system as specified in the relevant Final Terms for communication by them to entitled account holders in substitution for publication in a daily newspaper with general circulation in Europe. Such notices shall be deemed to have been received by the Noteholders on the day of delivery to such clearing systems.

18. **Indemnification of The Issuer Note Trustee and the Issuer Security Trustee**

(a) ***Indemnification of the Issuer Note Trustee and the Issuer Security Trustee***

The Note Trust Deed contains provisions for indemnification of the Issuer Note Trustee and for its relief from responsibility, including provisions relieving it from taking any action including taking proceedings against the Issuer and/or any other person unless indemnified and/or secured to its satisfaction. The Issuer Deed of Charge contains provisions for indemnification of the Issuer Security Trustee and for its relief from responsibility, including provisions relieving it from enforcing the Issuer Security unless it has been indemnified and/or secured and/or pre-funded to its satisfaction.

Each of the Issuer Note Trustee and the Issuer Security Trustee or any of their affiliates (as defined in Condition 7 (*Indexation*)) are entitled to enter into business transactions with the Issuer, the other Issuer Secured Creditors or any of their respective subsidiaries or associated companies without accounting for any profit resulting therefrom. Save as otherwise provided in these Conditions or any Issuer Transaction Document the Issuer Security Trustee will only be required to take any action under or in relation to, or to enforce or protect the Issuer Security, or a document referred to therein, if so directed by an Extraordinary Resolution of the holders of the then outstanding Notes or if so requested in writing by holders of at least 25 per cent. in nominal amount of the holders of any Series of the then outstanding Notes and in all cases if indemnified and/or secured and/or pre-funded to its satisfaction.

(b) ***Directions, Duties and Liabilities***

The Issuer Note Trustee, in the absence of its own wilful default, gross negligence or fraud, and in all cases when acting as directed by or subject to the agreement of the Noteholders shall not in any way be responsible for any Liabilities (as defined in the Common Terms Agreement), which may result from the exercise or non exercise of any consent, waiver, power, trust, authority or discretion vested in the Issuer Note Trustee pursuant to these Conditions, any Issuer Transaction Document or any ancillary document.

19. **European Economic and Monetary Union**

(a) ***Notice of redenomination***

The Issuer may, without the consent of the Noteholders, and on giving at least 30 days' prior notice to the Noteholders, the Issuer Note Trustee and the Principal Paying Agent, designate a date (the "**Redenomination Date**"), being an Interest Payment Date under the Notes falling on or after the date on which the UK becomes a Participating Member State.

(b) ***Redenomination***

Notwithstanding the other provisions of these Conditions, with effect from the Redenomination Date:

- (i) the Notes denominated in sterling (the "**Sterling Notes**") shall be deemed to be redenominated into euro in the denomination of euro 0.01 with a principal amount for each Note equal to the principal amount of that Note in sterling, converted into euro at the rate for conversion of such currency into euro established by the Council of the European Union pursuant to the Treaty establishing the European Union, as amended, (including compliance with rules relating to rounding in accordance with European Community regulations), **provided, however, that**, if the Issuer determines, with the agreement of the Issuer Note Trustee, that the then current market practice in respect of the redenomination into euro 0.01 of internationally offered securities is different from that specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders, the Stock Exchange and any stock exchange (if any) on which the Notes are then listed and the Principal Paying Agent of such deemed amendments;
- (ii) if Notes have been issued in definitive form:

- (A) all Notes denominated in sterling will become void with effect from the date (the "**Euro Exchange Date**") on which the Issuer gives notice (the "**Euro Exchange Notice**") to the Noteholders and the Issuer Note Trustee that replacement Notes denominated in euro are available for exchange (**provided that** such Notes are available) and no payments will be made in respect thereof;
  - (B) the payment obligations contained in all Notes denominated in sterling will become void on the Euro Exchange Date but all other obligations of the Issuer thereunder (including the obligation to exchange such Notes in accordance with this Condition 19) shall remain in full force and effect; and
  - (C) new Notes denominated in euro will be issued in exchange for Sterling Notes in such manner as the Principal Paying Agent or the Registrar, as the case may be, may specify and as shall be notified to the Noteholders in the Euro Exchange Notice;
- (iii) all payments in respect of the Sterling Notes (other than, unless the Redenomination Date is on or after such date as sterling ceases to be a sub division of the euro, payments of interest in respect of periods commencing before the Redenomination Date) will be made solely in euro by cheque drawn on, or by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) maintained by the payee with, a bank in the principal financial centre of any Participating Member State; and
  - (iv) a Note may only be presented for payment on a day which is a Business Day in the place of presentation.

(c) **Interest**

Following redenomination of the Notes pursuant to this Condition 19, where Sterling Notes have been issued in definitive form, the amount of interest due in respect of the Sterling Notes will be calculated by reference to the aggregate principal amount of the Sterling Notes presented for payment by the relevant holder and the amount of such payment shall be rounded down to the nearest euro 0.01.

20. **Limited Recourse**

- (a) If at any time following:
  - (i) the occurrence of either:
    - (A) the Final Maturity Date or any earlier date upon which all of the Notes are due and payable or are otherwise redeemed in full; or
    - (B) the service of an Issuer Enforcement Notice in accordance with Condition 11(b) (*Issuer Events of Default*); and
  - (ii) realisation of the Issuer Obligor Charged Property and application in full of any amounts available to pay amounts due and payable under the Notes and to the other Issuer Secured Creditors in accordance with the Issuer Priority of Payments as set out in the Issuer Deed of Charge,

the proceeds of such Realisation are insufficient, after payment of all other claims ranking in priority in accordance with the Issuer Priority of Payments, to pay in full all amounts then due and payable by the Issuer under any Notes or any Transaction Document then the amount remaining to be paid (after such application in full of the amounts first referred to in (ii) above) under such Notes or such Transaction Document(s) shall, on the day following such application in full of the amounts referred to in (ii) above, cease to be due and payable by the Issuer.

- (b) For the purposes of this Condition:

"**Realisation**" shall mean, in relation to any Issuer Obligor Charged Property, the deriving to the fullest extent practicable, (in accordance with the provisions of the Transaction Documents) of

proceeds from or in respect of such Issuer Obligor Charged Property including (without limitation) through sale or through performance by an Issuer Obligor.

21. **Miscellaneous**

(a) ***Governing Law***

The Note Trust Deed, the Issuer Deed of Charge, the Notes, the Coupons, the Receipts, the Talons (if any) and the other Issuer Transaction Documents are, and all non-contractual or other obligations arising from or in connection with such documents shall be governed by English law.

(b) ***Jurisdiction***

The courts of England are to have exclusive jurisdiction to settle any dispute that may arise out of or in connection with the Note Trust Deed, the Issuer Deed of Charge, the Notes, the Coupons, the Receipts, the Talons and the other Issuer Transaction Documents and accordingly any legal action or proceedings arising out of or in connection with the Notes, the Coupons, the Receipts, the Talons (if any) and/or the Transaction Documents may be brought in such courts. The Issuer has in each of the Transaction Documents to which it is a party irrevocably submitted to the jurisdiction of such courts.

(c) ***Third Party Rights***

No person shall have any right to enforce any term or condition of the Notes or the Note Trust Deed under the Contracts (Rights of Third Parties) Act 1999.

(d) ***Rights Against Issuer***

Under the Note Trust Deed, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to interests in the Notes will (subject to the terms of the Note Trust Deed) acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Global Note or Global Note Certificate became void, they had been the registered Holders of Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear, Clearstream, Luxembourg or any other relevant clearing system (as the case may be).

(e) ***Clearing System Accountholders***

References in these Conditions to "**Noteholder**" are references to the bearer of the relevant Global Note or the person shown in the records of the relevant clearing system as the holder of the Global Note Certificate.

Each of the persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, as the case may be, as being entitled to an interest in a Global Note or a Global Note Certificate (each an "**Accountholder**") must look solely to Euroclear and/or Clearstream, Luxembourg and/or such other relevant clearing system (as the case may be) for such Accountholder's share of each payment made by the Issuer, to such Accountholder and in relation to all other rights arising under the Global Note or Global Note Certificate. The extent to which, and the manner in which, Accountholders may exercise any rights arising under a Global Note or Global Note Certificate will be determined by the respective rules and procedures of Euroclear and Clearstream, Luxembourg and any other relevant clearing system (as the case may be) from time to time. For so long as the relevant Notes are represented by a Global Note or Global Note Certificate, Accountholders shall have no claim directly against the Issuer.

## FORMS OF THE NOTES

Notes may, subject to all applicable legal and regulatory requirements, be issued in Series comprising either Bearer Notes or Registered Notes, as specified in the relevant Final Terms or Drawdown Prospectus. Each Series comprises a single class. The Notes may comprise one or more Tranches.

### Bearer Notes

Each Tranche of Notes initially issued as Bearer Notes will be issued either as a Temporary Global Note, without Receipts, Coupons or Talons attached, or a Permanent Global Note, without Receipts, Coupons or Talons attached, in each case as specified in the relevant Final Terms or Drawdown Prospectus. Each Temporary Global Note or, as the case may be, Permanent Global Note (each a "**Global Note**") which is not intended to be issued in new global note ("**NGN**") form, as specified in the relevant Final Terms or Drawdown Prospectus, will be delivered on or prior to the Issue Date of the relevant Tranche of the Notes to a common depository for Euroclear and/or Clearstream, Luxembourg and/or any other relevant Clearing System on or about the Issue Date of the relevant Tranche. Each Global Note which is intended to be issued in NGN form, as specified in the relevant Final Terms or Drawdown Prospectus, will be delivered on or prior to the Issue Date of the relevant Tranche of the Notes to a common safekeeper for Euroclear and/or Clearstream, Luxembourg.

On 13 June 2006, the European Central Bank (the "**ECB**") announced that Notes in NGN form are in compliance with the "**Standards for the use of EU securities settlement systems in ECB credit operations**" of the central bank system for the euro (the "**Eurosystem**"), **provided that** certain other criteria are fulfilled. At the same time the ECB also announced that arrangements for Notes in NGN form will be offered by Euroclear and Clearstream, Luxembourg as of 30 June 2006 and that debt securities in global bearer form issued through Euroclear and Clearstream, Luxembourg after 31 December 2006 will only be eligible as collateral for Eurosystem operations if the NGN form is used.

In the case of each Tranche of Bearer Notes the relevant Final Terms or Drawdown Prospectus will also specify whether United States Treasury Regulation §1.163-5(c)(2)(i)(C) (the "**TEFRA C Rules**") or United States Treasury Regulation §1.163-5(c)(2)(i)(D) (the "**TEFRA D Rules**") are applicable in relation to the Notes or, if the Notes do not have a maturity of more than 365 days, that neither the TEFRA C Rules nor the TEFRA D Rules are applicable.

### Temporary Global Note exchangeable for Permanent Global Note

If the relevant Final Terms or Drawdown Prospectus specify the form of Notes as being represented by "**Temporary Global Note exchangeable for a Permanent Global Note**", then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for interests in a Permanent Global Note, without Receipts, Coupons or Talons attached, not earlier than 40 days after the Issue Date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, payments of interest in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever any interest in a Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the Issuer shall procure (in the case of first exchange) the prompt delivery (free of charge to the bearer) of such Permanent Global Note, duly authenticated, to the bearer of the Temporary Global Note or (in the case of any subsequent exchange) an increase in the principal amount of the Permanent Global Note in accordance with its terms against:

- presentation and (in the case of final exchange) surrender of the Temporary Global Note at the specified office of the Principal Paying Agent; and
- receipt by the Principal Paying Agent of a certificate or certificates of non-U.S. beneficial ownership issued by Euroclear and/or Clearstream, Luxembourg and/or any other relevant Clearing System, within seven days of the bearer requesting such exchange.

The principal amount of the Permanent Global Note shall be equal to the aggregate of the principal amounts specified in the certificates of non-U.S. beneficial ownership; **provided, however, that** in no circumstances shall the principal amount of the Permanent Global Note exceed the aggregate initial

principal amount of the Temporary Global Note and any Temporary Global Note representing a fungible Tranche of Notes with the Tranche of Notes represented by the first Temporary Global Note.

The Permanent Global Note will be exchangeable in whole, but not in part, for Notes in definitive form each, a Definitive Note:

- if Euroclear or Clearstream, Luxembourg or any other relevant Clearing System is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; or
- any of the circumstances described in Condition 11 (*Issuer Events of Default*) occurs.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Receipts, Coupons and Talons attached (if so specified in the relevant Final Terms or Drawdown Prospectus), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note at the Specified Office of the Principal Paying Agent within 30 days of the bearer requesting such exchange but not earlier than 40 days after the Issue Date of such Notes.

#### **Temporary Global Note exchangeable for Definitive Notes**

If the relevant Final Terms or Drawdown Prospectus specify the form of Notes as being "**Temporary Global Note exchangeable for Definitive Notes**" and also specifies that the TEFRA C Rules are applicable or that neither the TEFRA C Rules nor the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole but not in part, for Definitive Notes not earlier than 40 days after the Issue Date of the relevant Tranche of the Notes.

If the relevant Final Terms or Drawdown Prospectus specifies the form of Notes as being "**Temporary Global Note exchangeable for Definitive Notes**" and also specifies that the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for Definitive Notes not earlier than 40 days after the Issue Date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever the Temporary Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Receipts, Coupons and Talons attached (if so specified in the relevant Final Terms or Drawdown Prospectus), in an aggregate principal amount equal to the principal amount of the Temporary Global Note so exchanged to the bearer of the Temporary Global Note against the presentation (and in the case of final exchange, surrender) of the Temporary Global Note at the Specified Office of the Principal Paying Agent within 30 days of the bearer requesting such exchange but not earlier than 40 days after the issue of such Notes.

If the relevant Final Terms or Drawdown Prospectus specify the form of Notes as being "**Temporary Global Note exchangeable for Definitive Notes**", such Definitive Notes may only be issued in denominations equal to the Specified Denomination and integral multiples thereof.

#### **Permanent Global Note exchangeable for Definitive Notes**

If the relevant Final Terms or Drawdown Prospectus specifies the form of Notes as being "**Permanent Global Note exchangeable for Definitive Notes**" and also specifies that the TEFRA C Rules are applicable or that TEFRA does not apply, then the Notes will initially be in the form of a Permanent Global Note which will be exchangeable in whole, but not in part, for Definitive Notes:

- if Euroclear or Clearstream, Luxembourg or any other relevant Clearing System is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; or
- any of the circumstances described in Condition 11(a) (*Issuer Event of Default*) occurs.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Receipts, Coupons and Talons attached (if so specified in the relevant Final Terms or Drawdown Prospectus), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note at the Specified Office of the Principal Paying Agent within 30 days of the bearer requesting such exchange but not earlier than 40 days after the Issue Date of such Notes.

In the event that a Global Note is exchanged for Definitive Notes, such Definitive Notes shall be issued in Specified Denominations(s) only. Noteholders who hold Notes in the relevant Clearing System in amounts that are not integral multiples of a Specified Denomination may need to purchase or sell, on or before the relevant date of exchange, a principal amount of Notes such that their holding is an integral multiple of a Specified Denomination.

#### **Conditions applicable to the Notes**

The Conditions applicable to any Definitive Note will be endorsed on that Note and will consist of the Conditions set out under "*Terms and Conditions of the Notes*" above and the provisions of the relevant Final Terms or Drawdown Prospectus which supplement, amend, vary and/or replace those Conditions.

The Conditions applicable to any Global Note will differ from those Conditions which would apply to the Definitive Note to the extent described under "*Provisions Relating to the Notes while in Global Form*".

#### **Legend concerning United States persons**

Global Notes and Definitive Notes having a maturity of more than 365 days and any Receipts, Coupons and Talons appertaining thereto will bear a legend to the following effect unless the relevant or Drawdown Prospectus specifies that the TEFRA C Rules are applicable or that TEFRA does not apply:

*"Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in sections 165(j) and 1287(a) of the Internal Revenue Code."*

The sections referred to in such legend provide that a United States person who holds a Note, Receipt, Coupon or Talon will generally not be allowed to deduct any loss realised on the sale, exchange or redemption of such Note, Receipt, Coupon or Talon and any gain (which might otherwise be characterised as capital gain) recognised on such sale, exchange or redemption will be treated as ordinary income.

#### **Registered Notes**

Any Registered Note will be represented on issue by one or more Global Note Certificates of each Tranche.

Each Global Note Certificate will be deposited on or about the Issue Date with either: (a) a common depositary for Euroclear and Clearstream, Luxembourg and/or any other relevant clearing system, in the case of a Global Note Certificate which will not be held under the new safekeeping structure ("**New Safekeeping Structure**" or "NSS"), and registered in the name or a nominee of Euroclear and/or Clearstream Luxembourg and/or any other relevant clearing system; or (b) a common safekeeper for Euroclear and/or Clearstream Luxembourg, in the case of a Global Note Certificate to be held under the New Safekeeping Structure, and registered in the name of a nominee of the common safekeeper.

Beneficial interests in a Global Note Certificate may be held only through Euroclear or Clearstream, Luxembourg or their participants at any time. See "*Book-Entry Clearance Procedure*".

Beneficial interests in Global Note Certificates will be subject to certain restrictions on transfer set out in this Base Prospectus, in the relevant Final Terms or Drawdown Prospectus, and in the Agency Agreement, and such Global Note Certificates will bear the applicable legends regarding the restrictions set out in the relevant Final Terms or Drawdown Prospectus.

Except in the limited circumstances described below, owners of beneficial interests in Global Note Certificates will not be entitled to receive physical delivery of certificated Notes.



### **Exchange for Individual Note Certificates**

Each Global Note Certificate will be exchangeable, free of charge to the holder, on or after its Individual Exchange Date (as defined below), in whole but not in part, for individual note certificates in fully registered form ("**Individual Note Certificates**"):

- if a Global Note Certificate is held (directly or indirectly) on behalf of Euroclear and/or Clearstream, Luxembourg or an alternative Clearing System and any such Clearing System is closed for business for a continuous period of 14 days (other than by reason of legal holidays, statutory or otherwise) or announces that it is permanently to cease business or does in fact do so; or
- any of the circumstances described in Condition 11(a) (*Issuer Events of Default*) occurs.

The Registrar will not register the transfer of, or exchange of interests in, a Global Note Certificate for Individual Note Certificates for a period of 15 calendar days ending on the date for any payment of principal or interest in respect of the relevant Tranche of Notes.

If only one of the Global Note Certificates (the "**Exchanged Global Note Certificate**") becomes exchangeable for Individual Note Certificates in accordance with the above paragraphs, transfers of Notes may not take place between, on the one hand, persons holding Individual Note Certificates issued in exchange for beneficial interests in the Exchanged Global Note Certificate and on the other hand, persons wishing to purchase beneficial interests in the other Global Note Certificate.

"**Individual Exchange Date**" means a day falling not fewer than 30 days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Registrar and any Transfer Agent is located.

In such circumstances, the relevant Global Note Certificate shall be exchanged in full for Individual Note Certificates and the Issuer will, at the cost of the Issuer (but against such indemnity as the Registrar or any relevant Transfer Agent may require in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such exchange), cause sufficient Individual Note Certificates to be executed and delivered to the Registrar for completion, authentication and dispatch to the relevant Noteholders. A person having an interest in a Global Note Certificate must provide the Registrar with a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such Individual Note Certificates.

### **Legends and Transfers**

The holder of an Individual Note Certificate may transfer the Notes represented thereby in whole or in part in the applicable minimum denomination by surrendering it at the specified office of the Registrar or any Transfer Agent, together with the completed form of transfer thereon. Upon the transfer, exchange or replacement of an Individual Note Certificate or upon specific request for removal of the legend on an Individual Note Certificate, the Issuer will deliver only Individual Note Certificates that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the Issuer and the Registrar such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Issuer that neither the legend nor the restrictions on transfer set out therein are required to ensure compliance with the provisions of the Securities Act and the Investment Company Act.

### **Provisions Relating to the Notes while in Global Form**

Global Notes and Global Note Certificates will contain provisions that apply to the Notes which they represent, some of which modify the effect of the Conditions of the Notes as set out in this Base Prospectus. The following is a summary of certain of those provisions:

- *Meetings*: The holder of a Global Note or Global Note Certificate shall be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, the holder of a Global Note or Global Note Certificate shall be treated as having one vote in respect of each minimum denomination of Notes for which such Global Note or Global Note Certificate may be exchanged.

- *Cancellation:* Cancellation of any Note represented by a Global Note or Global Note Certificate that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the principal amount of the relevant Global Note or Global Note Certificate.
- *Payment Business Day:* in the case of a Global Note or a Global Note Certificate, shall be: if the currency of payment is euro, any day which is a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) additional city or cities specified in the relevant Final Terms; or, if the currency of payment is not euro, any day which is a day on which dealings in foreign currencies may be carried on in the principal financial centre of the currency of payment and each (if any) additional city or cities specified in the relevant Final Terms.
- *Record Date:* Each payment in respect of a Global Note Certificate will be made to the person shown as the Holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the "**Record Date**") where "**Clearing System Business Day**" means a day on which each clearing system for which the Global Note Certificate is being held is open for business.
- *Notices:* So long as any Notes are represented by a Global Note or Global Note Certificate and such Global Note or Global Note Certificate is held on behalf of Euroclear, Clearstream, Luxembourg or any other relevant Clearing System, notices to the Noteholders may be given, subject always to listing requirements, by delivery of the relevant notice to Euroclear, Clearstream, Luxembourg or any other relevant Clearing System for communication by it to entitled Accountholders in substitution for publication as provided in the Conditions. Such notices shall be deemed to have been received by the Noteholders on the date of delivery to such clearing systems.

## **BOOK-ENTRY CLEARANCE PROCEDURE**

*The information set out below has been obtained from the Clearing Systems (as defined in this Base Prospectus) and the Issuer believes that such sources are reliable, but prospective investors are advised to make their own enquiries as to such procedures. The Issuer accepts responsibility for the accurate reproduction of such information from publicly available information and as far as the Issuer is aware and is able to ascertain from information published, no facts have been omitted which would render the reproduced information inaccurate or misleading. In particular, such information is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear or Clearstream, Luxembourg (together, the "**Clearing Systems**") currently in effect and investors wishing to use the facilities of any of the Clearing Systems are therefore advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System.*

### **Euroclear and Clearstream, Luxembourg**

Custodial and depositary links have been established between Euroclear and Clearstream, Luxembourg to facilitate the initial issue of each Series of the Notes and cross-market transfers of the Notes associated with secondary market trading. Euroclear and Clearstream, Luxembourg each hold securities for their customers and facilitate the clearance and settlement of securities transactions through electronic book-entry transfer between their respective accountholders. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions which clear through or maintain a custodial relationship with an accountholder of either system. Investors may hold their interests in Global Notes and Global Note Certificates directly through Euroclear or Clearstream, Luxembourg if they are accountholders ("**Direct Participants**") or indirectly ("**Indirect Participants**" and together with Direct Participants, "**Participants**") through organisations which are accountholders therein.

### **Book-entry ownership**

Each Global Note will have an ISIN and a common code and will be deposited with a common depositary on behalf of Euroclear and Clearstream, Luxembourg. Each Global Note Certificate will have an ISIN and a common code and will be registered in the name of a common depositary on behalf of Euroclear and Clearstream, Luxembourg.

### **Payments and relationship of participants with Clearing Systems**

Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a Note represented by a Global Note or a Global Note Certificate must look solely to Euroclear or Clearstream, Luxembourg (as the case may be) for his share of each payment made by the Issuer to the holder of such Global Note or Global Note Certificate and in relation to all other rights arising under the Global Note or Global Note Certificate, subject to and in accordance with the respective rules and procedures of Euroclear or Clearstream, Luxembourg. The Issuer expects that, upon receipt of any payment in respect of Notes represented by a Global Note or a Global Note Certificate, the common depositary by whom such Note is held, or nominee in whose name it is registered, will immediately credit the relevant participants' or accountholders' accounts in the relevant Clearing System with payments in amounts proportionate to their respective beneficial interests in the principal amount of the relevant Global Note or Global Note Certificate (as the case may be) as shown on the records of the relevant Clearing System or its nominee. The Issuer also expects that payments by Direct Participants in any Clearing System to owners of beneficial interests in any Global Note or Global Note Certificate held through such Direct Participants in any Clearing System will be governed by standing instructions and customary practices. Save as aforesaid, such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note or Global Note Certificate and the obligations of the Issuer will be discharged by payment to the registered holder, as the case may be, of such Global Note or Global Note Certificate in respect of each amount so paid.

### **Settlement and transfer of Notes**

Subject to the rules and procedures of each applicable Clearing System, purchases of Notes held within a Clearing System must be made by or through Direct Participants, which will receive a credit for such Notes on the Clearing System's records. The ownership interest of each actual purchaser of each such Note (the "**Beneficial Owner**") will in turn be recorded on the Direct Participant and Indirect Participant's

records. Transfers of ownership interests in Notes held within the Clearing System will be effected by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial owners will not receive certificates representing their ownership interests in such Notes, unless and until interests in any Global Note or Global Note Certificate held within a Clearing System are exchanged for Definitive Notes or Individual Note Certificates.

## PRO FORMA FINAL TERMS

*Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Programme. Text appearing in italics in this section does not form part of the Form of Final Terms but denotes directions for completing the Final Terms.*

Final Terms dated [•]

### UPP BOND 1 ISSUER PLC

Issue of [Tranche [-[•] (delete as appropriate)] [Aggregate Nominal Amount of Tranche]

[Title of Notes]

under the Programme

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") and may not be offered or sold in the United States or to U.S. Persons (as defined in Regulation S under the Securities Act) unless an exemption from the registration requirements of the Securities Act is available. See "*Subscription and Sale*" in the accompanying Base Prospectus.

### PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the conditions set forth in the Base Prospectus dated [•] [and the supplemental base prospectus dated [•]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the relevant Member State). "**2010 PD Amending Directive**" means Directive 2010/73/EU). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. [The Base Prospectus [and the supplemental/drawdown Base Prospectus] [is] [are] available for viewing at [•].

#### Arrangers, Joint Bookrunners and Dealers

**Barclays**

**RBC Capital Markets**

**The Royal Bank of Scotland**

**UBS Investment Bank**

#### Passive Bookrunner and Dealer

#### Mitsubishi UFJ Securities International plc

*[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote directions for completing the Final Terms.]*

1. (i) The Issuer: UPP BOND 1 ISSUER PLC
2. (i) Series Number: [•]
- (ii) Tranche Number: [•]

*(If fungible with an existing Tranche, details of that Tranche, including the date on which the Notes become fungible.)*

3. Relevant Currency or Currencies: [•]
4. Aggregate Nominal Amount of Notes admitted to trading:

- (i) Series: [•]
- (ii) Tranche: [•] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (*in the case of fungible issues only, if applicable*)]
5. (i) Issue Price: [•]
- (ii) Net proceeds (required only for listed issues): [•]
6. (i) Specified Denominations: [€/£100,000 and integral multiples of [€/£1,000] in excess thereof up to and including [€/£99,000]. No Notes in definitive form will be issued with a denomination of integral multiples above [€/£99,000].] [*If the Notes are denominated in a currency other than the euro and the publication of a prospectus is required under the Prospectus Directive the minimum denomination may not be less than the equivalent of €100,000 in that currency.*] [*Other Denomination*]
- (ii) Calculation Amount: [•]
7. (i) Issue Date: [•]
- (ii) Interest Commencement Date: [•]
8. (i) Scheduled Redemption Date: [Not Applicable/specify]
- (ii) Final Maturity Date: [•]
9. Instalment Date: [Not Applicable/specify]
10. Interest Basis: [[•] per cent. Fixed Rate]  
[LIBOR]/[EURIBOR] +/- [•] per cent. Floating Rate]  
[Zero Coupon]  
[Index Linked Interest]
11. Redemption/Payment Basis: [Redemption at par]  
[Index Linked Redemption]
12. (i) Status and Ranking: The Notes are direct and unconditional obligations of the Issuer, are secured in the manner described in Condition 4 (*Security, Priority and Relationship with Issuer Secured Creditors*) and rank *pari passu* without any preference among themselves.
- (ii) [Date [Board] approval for issuance of Notes obtained: [•] and [•] respectively]]
- (*N.B. Only relevant where Board (or similar) authorisation is required for the particular*)

*tranche of Notes)*

13. Listing: [Ireland] [and other exchanges as applicable]

14. Method of distribution: [Syndicated/Non-syndicated]

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

15. Fixed Rate Note Provisions: [Applicable/Not Applicable]

*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

(i) Interest Rate: [•] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]

*[Floating rate provisions to be specified for interest payable following Scheduled Redemption Date]*

(ii) Screen Rate Determination:  
(As referred to under Condition 6(c))

- Relevant Rate: [LIBOR]/[EURIBOR]
- Interest Determination Date(s): [•]
- Page: [•]
- Relevant Time: [local time when Relevant Rate set]

ISDA Determination:  
(As referred to under Condition 6(c))

- Floating Rate Option: [•]
- Designated Maturity: [•]
- Specified Duration: [if other than the relevant Interest Period]
- Reset Date: [•]

(iii) Step-Up Fixed Fee Rate: [•] per cent. per annum

(iv) Interest Determination Date: [•] in each year *(insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon – only relevant where day count fraction is Actual/Actual (ICMA))*

(v) Interest Payment Date(s): [•] in each year [adjusted in accordance with [specify Business Day Convention and applicable Business Centre(s) for the definition of "Business Day"/not adjusted]

(vi) First Interest Payment Date: [•]

(vii) Fixed Rate Note Provisions: [•] per Calculation Amount

- (viii) Broken Amounts(s): *[Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount{(s)}]*
- (ix) Day Count Fraction: [Actual/Actual (ICMA)] [Actual/365 or Actual/Actual] [Actual/365 Fixed] [Actual/360] [30/ 360 or 360/360 or note basis] [30E/360 or Eurobond Basis]
- (x) Reference Gilt: [•]
16. Floating Rate Note Provisions: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Specified Period(s)/Specified Interest Payment Dates: [•]
- (ii) Specified Interest Payment Dates: [•]
- (iii) First Interest Payment Date: [•]
- (iv) Business Day Convention: [Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
- (v) Business Centre(s): [•]
- (vi) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination]
- (vii) Party responsible for calculating the Rate(s) of Interest, Interest Amount(s) and Redemption Amount (if not the Agent Bank): [Not Applicable/Calculation Agent]
- (viii) Screen Rate Determination:  
(As referred to under Condition 6(c))
- Relevant Rate: [LIBOR]/[EURIBOR]
  - Interest Determination Date(s): [•]
  - Page: [•]
  - Relevant Time: [*local time when Relevant Rate set*]
- (ix) ISDA Determination:  
(As referred to under Condition 6(c))
- Floating Rate Option: [•]
  - Designated Maturity: [•]
  - Specified Duration: [*if other than the relevant Interest Period*]



- Reset Date: [•]
  - (x) Margin(s): [+/-] [•] per cent. per annum
  - (xi) Step-Up Floating Fee Rate: [•] per cent. per annum
  - (xii) Minimum Rate of Interest: [Not Applicable]
  - (xiii) Maximum Rate of Interest: [Not Applicable]
  - (xiv) Day Count Fraction: [Actual/Actual (ICMA)] [Actual/365 or Actual/Actual] [Actual/365 Fixed] [Actual/360] [30/ 360 or 360/360 or Note Basis] [30E/360 or Eurobond Basis]
  - (xv) Additional Business Centre(s): [•]
  - (xvii) Relevant Financial Centre: [•]
  - (xviii) Representative Amount: [•]
  - (xix) Reference Banks: *[If none specified, four major banks selected by Agent Bank/Calculation Agent]*
17. Zero Coupon Note Provisions: [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Accrual Yield: [•] per cent. per annum
  - (ii) Reference Price: [•]
  - (iii) Day Count Fraction in relation to Early Redemption Amounts and late payment: [Condition 8(e)/specify other]
- (Consider applicable day count fraction if not U.S. dollar denominated)*
18. Indexed Note Provisions: [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Index/Formula: UK Retail Price Index
  - (ii) Interest Rate: [•]
- [Floating rate provisions to be specified for interest payable following Scheduled Redemption Date]*
- (iii) Screen Rate Determination: (As referred to under Condition 6(c))
    - Relevant Rate: [LIBOR]/[EURIBOR]
    - Interest Determination [•]

Date(s):

- Page: [•]
- Relevant Time: [local time when Relevant Rate set]

ISDA Determination:

(As referred to under Condition 6(c))

- Floating Rate Option: [•]
  - Designated Maturity: [•]
  - Specified Duration: [if other than the relevant Interest Period]
  - Reset Date: [•]
- (iv) Step-Up Fixed Fee Rate: [•] per cent. per annum
- (v) Party responsible for calculating the Rate(s) of Interest, Interest Amount and Redemption Amount(s) (if not the Agent Bank): [Not Applicable/Calculation Agent]
- (vi) Provisions for determining Coupon in the event of changes in circumstances, disruptions, cessation or fundamental changes to the Index: Applicable – Condition 7(c) and 7(e)
- (vii) Interest or calculation period(s): [•]
- (viii) Interest Payment Dates: [•]
- (ix) First Interest Payment Date: [•]
- (x) Business Day Convention: [Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
- (xi) Business Centre: [•]
- (xii) Minimum Indexation Factor: [Not Applicable/specify]
- (xiii) Maximum Indexation Factor: [Not Applicable/specify]
- (xiv) Base Index Figure: [•]
- (xv) Limited Indexation Month(s): [•]
- (xvi) Reference Gilt: [•]
- (xvii) Day Count Fraction: [Actual/Actual (ICMA)] [Actual/365 or Actual/Actual] [Actual/365 Fixed] [Actual/360] [30/360 or 360/360 or Note Basis] [30E/360 or Eurobond Basis]

**PROVISIONS RELATING TO REDEMPTION**

19. Issuer Optional Redemption: Applicable in accordance with Condition 8(c)

- |       |  |   |
|-------|--|---|
| (i)   | Optional Redemption Date(s):   | Any Interest Payment Date [falling on or after [•] and at a premium of [•] (delete for non-Floating Rate Notes).] |
| (ii)  | Optional Redemption Amount(s) and method, if any, of calculation of such amount(s):        | [•] per Calculation Amount  |
| (iii) | If redeemable in part:   |   |
| (iv)  | Minimum Redemption Amount:   | [Not Applicable]  |
| (v)   | Maximum Redemption Amount:   | [Not Applicable]  |
| (vi)  | Notice period (if other than as set out in the Conditions):                                | [Not Applicable]  |
| 20.   | Final Redemption Amount of each Note In cases where the Redemption Amount is Index-Linked: | [•] per Calculation Amount  |
| (i)   | Index:   | UK Retail Price Index   |
| (ii)  | Party responsible for calculating the Final Redemption Amount (if not the [Agent]):        | [•]   |
| (iii) | Determination Date(s):   | [•]   |
| (iv)  | Payment Date:  | [•]   |
| (v)   | Minimum Final Redemption Amount:   | [•] per Calculation Amount  |
| (vi)  | Maximum Final Redemption Amount:   | [•] per Calculation Amount  |

**GENERAL PROVISIONS APPLICABLE TO THE NOTES**

- |     |                           |  |
|-----|---------------------------|--|
| 21. | Form of Notes:            | [Bearer/Registered]  |
| (i) | If issued in Bearer form: | <p>[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note.]</p> <p>[Temporary Global Note exchangeable for Definitive Notes on [•] days notice.]</p> <p><i>(If Temporary Global Notes are exchangeable for Definitive Notes upon notice, then such Definitive Notes may only be issued in denominations equal to €100,000 (or equivalent to €100,000) and integral multiples thereof.)</i></p> <p><i>(A Temporary Global Note is required unless TEFRA C Rules apply or TEFRA is not applicable.)</i></p> <p>[Permanent Global Note exchangeable for Definitive Notes in the limited circumstances</p> |

specified in the Permanent Global Note.]

(ii) If Registered Notes: [Registered Global Note registered in the name of a nominee for [a common depository for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg exchangeable for Individual Note Certificates on [•] days notice in the circumstances specified in the Registered Note]

22. New Global Note: [Yes] [No]
23. Relevant Financial Centre(s) or other special provisions relating to Payment Dates: [Not Applicable/[•]]
24. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No. If yes, *give details*]
25. Details relating to Instalment Notes: [Applicable]/[Not Applicable]

Instalment Dates	Instalment Amount	Allocated On-Loan Amount per AssetCo at Issue Date					
		UPP (Alcuin) Limited	UPP (Broadgate Park) Holdings Limited	UPP (Kent Student Accommodation) Limited	UPP (Nottingham) Limited	UPP (Oxford Brookes) Limited	UPP (Plymouth Three) Limited
[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]

26. Redenomination, renominatisation and reconventioning provisions: [Not Applicable/The provisions in Condition 19 apply]
27. Consolidation provisions: [Not Applicable]
28. TEFRA rules: [TEFRA C/TEFRA D/Not Applicable]

#### DISTRIBUTION

29. (i) If syndicated, names of Managers: [Not Applicable/*give names*]
- (ii) Stabilising Manager (if any): [Not Applicable/*give name*]
30. If non-syndicated, name of Dealer: [Not Applicable/*give name*]

#### LISTING AND ADMISSION TO TRADING APPLICATION

These Final Terms comprise the final terms required to list and have admitted to trading the issue of Notes described herein pursuant to the listing of the Programme for the issuance of up to £5,000,000,000 of Notes.

#### RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms.

[[*Relevant third party information*] has been extracted from [*specify source*]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [*specify source*], no facts have been omitted which would render the reproduced information inaccurate or misleading.]\*

Signed on behalf of the Issuer:

By: .....  
Duly authorised

## PART B – OTHER INFORMATION

### 1. LISTING

- (i) Listing [Ireland/London/Luxembourg/other (specify)/None]
- (ii) Admission to trading: Application has been made for the Notes to be admitted to trading on [•] with effect from [•]. [Not Applicable]
- (iii) Estimate of total expenses related to admission to trading: [•]

### 2. RATINGS

Ratings: The Notes to be issued have been rated:

[Fitch Ratings Ltd: [•]]

[Moody's Investors Services Limited [•]]

[Standard & Poor's Credit Market Services Europe Limited [•]]

*(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)*

### 3. [NOTIFICATION]

The Central Bank [has been requested to provide/has provided – include first alternative for an issue which is contemporaneous with the establishment or update of the Programme and the second alternative for subsequent issues] the [include names of competent authorities of host Member States] with a certificate of approval attesting that the Base Prospectus has been drawn up in accordance with the Prospectus Directive.]

### 4. [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER]

Need to include a description of any interest, including conflicting ones, that is material to the issue/ offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:

"Save as discussed in ["*Subscription and Sale*"], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer."

### 5. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

- (i) [Reasons for the offer: [•]]
- (If reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.)*
- (ii) [Estimated net proceeds: [•]]
- (If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all*

*proposed uses state amount and sources of other funding)]*

(iii) [Estimated total expenses: [•](Include breakdown of expenses.)

(Only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above).]<sup>24</sup>

6. [Fixed Rate Notes only – YIELD

Indication of yield: [•]

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

7. **OPERATIONAL INFORMATION**

Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking Société Anonyme and the relevant identification number(s): [Not Applicable/give name(s) and member(s) and address(es)]

Delivery: Delivery [against/free of] payment

Names and addresses of additional Paying Agent(s) (if any): [•]

ISIN Code: [•]

Common Code: [•]

Intended to be held in a manner which would allow Eurosystem eligibility: [Yes] [No]

Yes. Note that the designation "**Yes**" simply means that the Notes are intended upon issue to be deposited with Euroclear or Clearstream, Luxembourg (the "**ICSDs**") as common safekeeper [, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper,] [*include this text for registered notes*] and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that the Eurosystem eligibility criteria have been met.]

[No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper [, and registered in the name of a nominee of

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<sup>24</sup> Required for derivative securities.

one of the ICSDs acting as common safekeeper,] [*include this text for registered notes*]]. Note that this does not mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]



## TAX CONSIDERATIONS

### United Kingdom Taxation

The following is a summary of the United Kingdom withholding taxation treatment at the date of this Base Prospectus in relation to payments of principal and interest in respect of the Notes. It is based on current law and published practice of Her Majesty's Revenue and Customs ("**HMRC**"), which may be subject to change, sometimes with retrospective effect. The comments do not deal with other United Kingdom tax aspects of acquiring, holding or disposing of Notes. The comments relate only to the position of persons who are absolute beneficial owners of the Notes. The following is a general guide for information purposes and should be treated with appropriate caution. It is not intended as tax advice and it does not purport to describe all of the tax considerations that may be relevant to a prospective Noteholder.

Prospective Noteholders should be aware that the particular terms of issue of any Series of Notes as specified in the relevant Final Terms or Drawdown Prospectus may affect the tax treatment of that and other Series of Notes. Prospective Noteholders who are in any doubt as to their tax position should consult their professional advisers. Prospective Noteholders who may be liable to taxation in jurisdictions other than the United Kingdom in respect of their acquisition, holding or disposal of the Notes are particularly advised to consult their professional advisers as to whether they are so liable (and if so under the laws of which jurisdictions), since the following comments relate only to certain United Kingdom taxation aspects of payments in respect of the Notes.

### UK Withholding Tax

The Notes issued by the Issuer which carry a right to interest will constitute "**quoted Eurobonds**" within the meaning of section 987 of the Income Tax Act 2007 provided they are and continue to be listed on a recognised stock exchange. Whilst such Notes are and continue to be quoted Eurobonds, payments of interest on such Notes may be made without withholding or deduction for or on account of United Kingdom income tax.

Securities will be "listed on a recognised stock exchange" for this purpose if they are admitted to trading on an exchange designated as a recognised stock exchange by an order made by the Commissioners for HMRC and either they are included in the United Kingdom official list (within the meaning of Part 6 of the Financial Services and Markets Act 2000) or they are officially listed, in accordance with provisions corresponding to those generally applicable in European Economic Area states, in a country outside the United Kingdom in which there is a recognised stock exchange.

The Irish Stock Exchange is a recognised stock exchange. The Issuer's understanding of current HMRC practice is that securities which are officially listed and admitted to trading on the main market of that Exchange may be regarded as "listed on a recognised stock exchange" for these purposes.

In all cases falling outside the "quoted Eurobond exemption" described above, interest on the UK Notes may fall to be paid under deduction of United Kingdom income tax at the basic rate (currently 20 per cent.) subject to such relief as may be available following a direction from HMRC pursuant to the provisions of any applicable double taxation treaty, or to any other exemption which may apply. However, this withholding will not apply if the relevant interest is paid on Notes with a maturity date of less than one year from the date of issue and which are not issued under arrangements the effect of which is to render such Notes part of a borrowing with a total term of a year or more.

### Provision of Information

Prospective Noteholders should note that, in certain circumstances, HMRC has power to obtain information (including the name and address of the beneficial owner of the interest) from any person in the United Kingdom who either pays or credits interest to or receives interest for the benefit of a Noteholder. In certain circumstances, the information so obtained may be passed by HMRC to the tax authorities of certain other jurisdictions.

The provisions referred to above may also apply, in certain circumstances, to payments made on redemption of any Notes which constitute "deeply discounted securities" as defined for the purposes of Schedule 23, Finance Act 2011 (although, in this regard, HMRC published guidance for the year

2012/2013 indicates that HMRC will not exercise its power to obtain information in relation to such payments in that year).

Information may also be required to be reported in accordance with regulations made pursuant to EC Council Directive 2003/48/EC on the taxation of savings income (the "**EU Savings Directive**") (see "*EU Savings Directive*" below).

### **Other Rules Relating to United Kingdom Withholding Tax**

Notes may be issued at an issue price of less than 100 per cent of their principal amount. Any discount element on any such Notes will not generally be subject to any United Kingdom withholding tax pursuant to the provisions mentioned in "*UK Withholding Tax on UK Source Interest*" above, but may be subject to reporting requirements as outlined in "*Provision of Information*" above and "*EU Savings Directive*" below.

Where Notes are to be, or may fall to be, redeemed at a premium, as opposed to being issued at a discount, then any such element of premium may constitute a payment of interest. Payments of interest are subject to United Kingdom withholding tax and reporting requirements as outlined above and in "*EU Savings Directive*" below.

Where interest has been paid under deduction of United Kingdom income tax, Noteholders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in any applicable double taxation treaty.

The references to "interest" in this section "*Tax Considerations*" mean "interest" as understood in United Kingdom tax law. The statements in this section "*Tax Considerations*" do not take any account of any different definitions of "interest" or "principal" which may prevail under any other law or which may be created by the terms and conditions of the Notes or any related documentation. Prospective Noteholders should seek their own professional advice as regards the withholding tax treatment of any payment on the Notes which does not constitute "interest" or "principal" as those terms are understood in United Kingdom tax law.

The above description of the United Kingdom withholding tax position assumes that there will be no substitution of the Issuer and does not consider the tax consequences of any such substitution.

### **Ireland**

*The following is a summary based on the laws and practices currently in force in Ireland of certain matters regarding the tax position of investors who are the absolute beneficial owners of their Notes and should be treated with appropriate caution. Particular rules may apply to certain classes of taxpayers holding Notes including dealers in securities and trusts. The summary does not constitute tax or legal advice and the comments below are of a general nature only and does not discuss all aspects of Irish taxation that may be relevant to any particular holder of Notes. Prospective investors in the Notes should consult their professional advisers on the tax implications of the purchase, holding, redemption or sale of the Notes and the receipt of interest thereon under the laws of their country of residence, citizenship or domicile.*

### **Withholding Tax**

Under general Irish tax law, the Issuer will not be obliged to withhold tax from payments of principal. In addition, payments of premium or interest (if any, or to the extent a payment may be so characterised for taxation purposes) paid on the Notes may be made without deduction or withholding on account of Irish tax so long as such payments do not constitute Irish source income. Interest (if any) and premium paid on the Notes may be treated as having an Irish source if:

- (a) the Issuer is resident in Ireland for tax purposes; or
- (b) the Issuer is not resident in Ireland for tax purposes but the register for the Notes is maintained in Ireland or if the Notes are in bearer form the Notes are physically held in Ireland; or
- (c) the assets relating to the Notes are attributed to an Irish branch or agency of the Issuer.

It is anticipated that (i) the Issuer is not and will not be resident in Ireland for tax purposes; (ii) the Issuer will not have a branch or permanent establishment in Ireland; and (iii) the Notes will either be in bearer form and will not be physically located in Ireland or that the Issuer will not maintain a register of any registered Notes in Ireland.

### **Taxation of Receipts**

Notwithstanding that a holder of Notes may receive payments of principal, premium, and interest, premium or discount on the Notes free of Irish withholding tax, the holder of Notes may still be liable to pay Irish income or corporation tax (and in the case of individuals, the universal social charge) on such premium or interest if (i) such interest has an Irish source, (ii) the holder of Notes is resident or (in the case of a person other than a body corporate) ordinarily resident in Ireland for tax purposes (in which case there would also be a social insurance (PRSI) liability for an individual in receipt of premium or interest on the Notes), or (iii) the Notes are attributed to a branch or agency in Ireland. Ireland operates a self-assessment system in respect of income and corporation tax, and each person must assess its own liability to Irish tax.

Relief from Irish income tax may also be available under the specific provisions of a double taxation agreement between Ireland and the country of residence of the recipient.

### **Encashment Tax**

In certain circumstances, Irish tax will be required to be withheld at the standard rate of income tax (currently 20 per cent) from premium, interest or other income paid on Notes issued by a company not resident in Ireland, where such amount is collected or realised by a bank or encashment agent in Ireland on behalf of any holder of Notes who is Irish resident.

Encashment tax does not apply where the holder of Notes is not resident in Ireland and has made a declaration in the prescribed form to the encashment agent or bank.

### **Capital Gains Tax**

A holder of Notes will be subject to Irish tax on capital gains on a disposal of Notes unless (a) such holder is: (i) neither resident nor ordinarily resident in Ireland; and (ii) does not carry on a trade or business in Ireland through a permanent establishment, branch or agency in respect of which the Notes are or were held; and (b) the Notes do not derive the greater part of their value directly or indirectly from Irish land or minerals.

### **Capital Acquisitions Tax**

A gift or inheritance comprising of Notes will be within the charge to capital acquisitions if either: (i) the disponent or the donee/successor in relation to the gift or inheritance is resident or ordinarily resident in Ireland; or (ii) if the Notes are regarded as property situate in Ireland. A foreign domiciled individual will not be regarded as being resident or ordinarily resident in Ireland at the date of the gift or inheritance unless that individual: (i) has been resident in Ireland for the five consecutive tax years preceding that date; and (ii) is either resident or ordinarily resident in Ireland on that date.

Bearer Notes are generally regarded as situated where they are physically located at any particular time. Notes in registered form are property situate in Ireland if the register is in Ireland. The Notes may, however, be regarded as situated in Ireland regardless of their physical location if they secure a debt due by an Irish resident debtor and/or are secured over Irish property. Accordingly, if such Notes are comprised in a gift or inheritance, the gift or inheritance may be within the charge to tax regardless of the residence status of the disponent or the donee/successor.

### **Stamp duty**

As the Issuer is not registered in Ireland, Stamp duty will not arise on a document effecting a transfer of the Notes so long as the relevant instrument of transfer:

- (a) does not relate to any immovable property in Ireland; or
- (b) does not relate to stocks or marketable securities of a company registered in Ireland.

## **EU Savings Directive**

Under the EU Savings Directive, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Austria and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at a rate of 35 per cent. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries, and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above. Prospective Noteholders who are in any doubt as to their position should consult their professional advisers.

## SUBSCRIPTION AND SALE

### Dealership Agreement

Notes may be sold from time to time by the Issuer to any one or more of Barclays Bank PLC, Mitsubishi UFJ Securities International plc, RBC Europe Limited, The Royal Bank of Scotland plc and UBS Limited and any other dealer appointed from time to time (the "**Dealers**") in each case acting as principal or to subscribers from whom subscriptions have been procured by the Dealers, in each case pursuant to the dealership agreement made between, amongst others, the Issuer, the Arrangers and the Dealers (the "**Dealership Agreement**"). The arrangements under which a particular Tranche of Notes may from time to time be agreed to be sold by the Issuer to, and purchased by, Dealers or subscribers are set out in the Dealership Agreement and the Subscription Agreements relating to each Tranche of Notes. Any such agreement will, *inter alia*, make provision for the price at which such Notes will be purchased by the Dealers or subscribers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase. The Dealership Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Series or Tranche of Notes.

### United States of America

The Notes have not been, and will not be, registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act) ("**US Persons**"), except in certain transactions exempt from, or not subject to, the registration requirements of the Securities Act and, in each case, in circumstances that will not require the Issuer to register under the Investment Company Act 1940. Terms used in this paragraph have the meaning given to them in Regulation S.

Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder.

The Notes will be offered, sold and delivered only outside the United States, to persons who are not U.S. persons, in offshore transactions in reliance on Regulation S.

Each Dealer has agreed that it has offered and sold, and it will offer and sell, Notes of any Series (i) as part of their distribution at any time and (ii) otherwise until 40 days after the completion of the distribution of an identifiable tranche of which such Notes are a part, as determined and certified to the Principal Paying Agent by the relevant Dealer (or in the case of a sale of an identifiable tranche of Notes to or through more than one relevant Dealer, by each of such relevant Dealers as to the Notes of such identifiable tranche purchased by or through it, in which case the Principal Paying Agent shall notify each such relevant Dealer when all such relevant Dealers have so certified), only in accordance with Rule 903 of Regulation S. Accordingly, neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts in the United States with respect to Notes, and it and they have complied and will comply with the offering restrictions requirement of Regulation S. Each Dealer and its affiliates will also agree that, at or prior to confirmation of sale of Notes to a distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it during the distribution compliance period it will send to such purchaser a confirmation or notice stating that such purchaser is subject to the foregoing restrictions on offers and sales. Terms used in this paragraph have the meanings given to them by Regulation S.

Until 40 days after the commencement of the offering of any series of Notes, any offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Any issuance of index-linked or dual currency notes shall be subject to such additional U.S. selling restrictions as the Issuer and the relevant Dealer may agree as a term of the issuance and purchase of such Notes.

Due to the restrictions set forth above and in the relevant Final Terms or Drawdown Prospectus, purchasers of the Notes are advised to consult legal counsel prior to making an offer to purchase or to re-sell, pledge or otherwise transfer the Notes.

### **European Economic Area**

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by the Base Prospectus as completed by the Final Terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) **Qualified investors:** at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) **Fewer than 100 offerees:** at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant Dealer or Dealers Nominated by the Issuer for any such offer; or
- (c) **Other Exempt offers:** at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

**provided that** no such offer of Notes referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of the above, the expression an "**offer of Notes to the public**" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU.

### **United Kingdom**

Each Dealer has represented, warranted and agreed that:

- (a) **No deposit-taking:** in relation to any Notes having a maturity of less than one year:
  - (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and
  - (ii) it has not offered or sold and will not offer or sell any Notes other than to persons:
    - (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or
    - (B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,

where the issue of the Notes would otherwise constitute a contravention of section 19 of the FSMA by the Issuer;

- (b) **Financial Promotion:** it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (c) **General Compliance:** it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

## **Ireland**

In relation to each Series or Tranche of Notes, each Relevant Dealer has represented and undertaken to the Issuer and each other Relevant Dealer (if any) that:

- (a) it will not underwrite the issue of, or place the Notes, otherwise than in conformity with the provisions of the European Communities (Markets in Financial Instruments) Regulations 2007 (Nos. 1 to 3) (as amended), including, without limitation, Regulations 7 and 152 thereof or any codes of conduct used in connection therewith and the provisions of the Investor Compensation Act 1998;
- (b) it will not underwrite the issue of, or place, the Notes, otherwise than in conformity with the provisions of the Companies Acts 1963 to 2012 (as amended), the Central Bank Acts 1942 to 2011 (as amended) and any codes of conduct rules made under Section 117(1) of the Central Bank Act 1989;
- (c) it will not underwrite the issue of, or place, or do anything in Ireland in respect of the Notes otherwise than in conformity with the provisions of the Prospectus (Directive 2003/71/EC) Regulations 2005 (as amended) and any rules issued under Section 51 of the Investment Funds, Companies and Miscellaneous Provisions Act 2005, by the Central Bank; and
- (d) it will not underwrite the issue of, place or otherwise act in Ireland in respect of the Notes, otherwise than in conformity with the provisions of the Market Abuse (Directive 2003/6/EC) Regulations 2005 (as amended) and any rules issued under Section 34 of the Investment Funds, Companies and Miscellaneous Provisions Act 2005, by the Central Bank.

## **General**

Each Dealer has represented, warranted and undertaken to the Issuer that it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes the Base Prospectus, Final Terms, Drawdown Prospectus or any related offering material, in all cases at its own expense.

The Dealership Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific country or jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) in the official interpretation, after the date of the Dealership Agreement, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the paragraph above.

## GENERAL INFORMATION

### Authorisation

The establishment of the Programme and the issue of Notes thereunder have been duly authorised by resolutions of the boards of directors of UPP Group Limited, the Issuer, HoldCo, ParentCo and each AssetCo passed at meetings of the respective boards held on 15 February 2013. The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes.

### Listing of Notes

It is expected that each Tranche of Notes which is to be admitted to the Official List of the Irish Stock Exchange and to trading on its regulated market will be admitted separately as and when issued, subject only to the issue of Global Notes initially representing the Notes of such Tranche. The listing of the Programme in respect of such Notes is expected to be granted on or around 18 February 2013 the estimated aggregate cost of the foregoing applications for admission to the Official List of the Irish Stock Exchange and admission to trading on its regulated market is €4,500.

However, Notes may also be issued pursuant to the Programme which will not be admitted to the Official List or any other stock exchange or which will be listed on such stock exchange as the Issuer and the relevant Dealer(s) may agree.

For so long as the Notes are admitted to the Official List of the Irish Stock Exchange and to trading on its regulated market, the Issuer shall maintain a Paying Agent in the EEA.

### Documents Available

For so long as the Programme remains in effect or any Notes shall be outstanding, copies of the following documents in physical form may (when published) be available for inspection and for the taking of copies or extracts by Noteholders during normal business hours (in the case of Bearer Notes) at the specified office of the Principal Paying Agent, (in the case of Registered Notes) at the specified office of the Registrar and the Transfer Agents and (in all cases) at the registered office of the Issuer Note Trustee:

- the Memorandum and Articles of Association of the Issuer, HoldCo, Parent Co and each AssetCo;
- this Base Prospectus;
- the Financial Statements of each AssetCo for the years ending 2012 and 2011;
- the Final Terms or Drawdown Prospectus relating to Notes which are admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system (in the case of any Notes which are not admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system, copies of the relevant Final Terms will only be available for inspection by the relevant Noteholders);
- the Note Trust Deed;
- the Agency Agreement;
- the Common Terms Agreement;
- the On-Loan Agreements;
- the Monitoring Services Agreement;
- the Issuer Corporate Officer Agreement;
- the Hedge Agreements;
- the Issuer Deed of Charge;



- the HoldCo Share Charge (including the HoldCo Guarantee);
- ParentCo Debenture (including the ParentCo Guarantee);
- each AssetCo Debenture;
- each AssetCo Mortgage;
- the AssetCo Guarantee;
- the Account Bank Agreement;
- the Cash Administration Agreement; and
- Tax Deed of Covenant.

### **Clearing Systems**

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg as specified in the relevant Final Terms. The appropriate common code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms or Drawdown Prospectus. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms or Drawdown Prospectus.

The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy L-1855 Luxembourg. The address of any alternative clearing system will be specified in the applicable Final Terms or Drawdown Prospectus.

### **No Material Change**

There has been no material adverse change in the prospects nor any significant change in the financial or trading position of the AssetCos since the date of their last published audited financial statements being 31 August 2012.

There has been no material adverse change in the prospects nor any significant change in the financial or trading position of the Issuer Obligors since the date of their incorporation.

### **Litigation**

None of the Issuer Obligors is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which they are respectively aware) since the date of their incorporation.

None of the AssetCos is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which they are respectively aware) in the 12 months preceding the date of this Base Prospectus.

### **Availability of Financial Statements**

For so long as the Programme is admitted to the Irish Stock Exchange's Official List and trading on its regulated market, the most recently published audited annual accounts of each AssetCo will be available at the specified office of the Principal Paying Agent. The AssetCos do not publish interim accounts.

### **Auditors**

The auditors of each of the Issuer Obligors and AssetCos are Grant Thornton UK LLP, registered auditors with the Institute of Chartered Accountants in England and Wales, of Grant Thornton House, 202 Silbury Boulevard, Central Milton Keynes, Buckinghamshire, who have audited accounts of each of the AssetCos, without qualification, in accordance with International Standards on Auditing (UK and Ireland) for each of the financial years ended 2012 and 2011.

**Legend**

Bearer Notes, Receipts, Talons and Coupons appertaining thereto will bear a legend substantially to the following effect: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in sections 165(j) and 1287(a) of the Internal Revenue Code" The sections referred to in such legend provide that a United States person who holds a Bearer Note, Coupon, Receipt or Talon generally will not be allowed to deduct any loss realised on the sale, exchange or redemption of such Bearer Note, Coupon, Receipt or Talon and any gain (which might otherwise be characterised as capital gain) recognised on such sale, exchange or redemption will be treated as ordinary income.

**Information in respect of the Notes**

The issue price and the amount of the relevant Notes will be determined, before filing of the relevant Final Terms or Drawdown Prospectus of each Tranche, based on then prevailing market conditions. The Issuer does not intend to provide any post-issuance information in relation to any issues of Notes.

**Websites**

Any website mentioned in this Base Prospectus does not form part of this Base Prospectus.

**Listing Agent**

Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in connection with the Notes and is not itself seeking admission of the Notes to the Official List of the Irish Stock Exchange or to trading on its regulated market for the purposes of the Prospectus Directive.

## GLOSSARY OF DEFINED TERMS

"**2010 PD Amending Directive**" means Directive 2010/73/EU.

"**Acceding AssetCo**" means each company having New Assets which accedes to the Common Documents pursuant to an AssetCo Accession Memorandum.

"**Acceptable Bank**" means a bank or financial institution, trust, fund or other entity which is an authorised institution (for the purposes of FSMA) and whose long-term debt is rated at least BBB+ by S&P or at least Baa1 by Moody's or, in the case of an institution whose long-term debt is not so rated, a bank or financial institution approved by the Issuer Security Trustee.

"**Accession Memorandum**" means each accession memorandum to be entered into by an acceding Issuer Secured Creditor pursuant to the Issuer Deed of Charge and which is substantially in the form set out in the Issuer Deed of Charge.

"**Account Bank**" means Barclays Bank PLC.

"**Account Bank Agreement**" means the account bank agreement dated on or about the Initial Signing Date between, amongst others, ParentCo, the Issuer, the Security Trustees, the Cash Administrator and the Account Bank.

"**Accounts**" means the Issuer Accounts, the ParentCo Accounts and the AssetCo Maintained Accounts.

"**Accounting Standards**" means, in the case of any Financial Statement or information relating to an Obligor the generally accepted accounting principles applicable to that Obligor at the relevant time in the United Kingdom, including IFRS.

"**Additional Indebtedness Conditions**" means the conditions to the incurrence of additional Financial Indebtedness by the Issuer and the relevant AssetCo(s) set out in the Common Terms Agreement and as summarised in the section entitled "*Issuer Transaction Documents – Common Terms Agreement – Additional Indebtedness Conditions*" hereto.

"**Additional Issuer Secured Creditor**" means each creditor that accedes to the Issuer Deed of Charge from time to time in accordance with the terms thereof and is designated an Issuer Secured Creditor.

"**Administrative Receiver**" shall mean an administrative receiver as defined in Section 29(2) of the Insolvency Act.

"**Affected Issuer Secured Creditor**" means each Issuer Secured Creditor whose Entrenched Rights are affected by a relevant Proposal Request, MA Proposal Request or an Enforcement Instruction Notice given by the Issuer Security Trustee pursuant to the Issuer Deed of Charge.

"**Affiliate**" means in relation to any person a Subsidiary or a Holding Company of a person or any other Subsidiary of that Holding Company.

"**Agency Agreement**" means the agency agreement dated on or about the Initial Signing Date between the Issuer, the Paying Agents, the Agent Bank and the Issuer Note Trustee.

"**Agent**" means, as the context requires, the Agent Bank, the Principal Paying Agent, the Registrar, the Transfer Agent, any Calculation Agent, and any Paying Agent or any other agent appointed by the Issuer pursuant to the Agency Agreement or a Calculation Agency Agreement and "**Agents**" means all of them.

"**Allocated On-Loan Amount**" means, in respect of any payment date, the principal amount originally scheduled to fall due from the relevant AssetCo under its On-Loan Agreement which corresponds to a principal amount originally scheduled to fall due from the Issuer in respect of the Corresponding Securities on such payment date as set out in the repayment schedule of the relevant On-Loan Agreement and, if applicable, the relevant Securities.

"**Ancillary Rights**" means in relation to a Right (as defined in the definition of "**Benefit**"), all ancillary rights, accretions and supplements to such Right, including any guarantees or indemnities in respect of such Right.

**"Applicable Reduction Proportion"** means, in respect of the reduction of any Relevant Hedging Transaction pursuant to the Hedging Policy and each future payment date in respect of such Relevant Hedging Transaction, a proportion equal to the proportion by which the expected outstanding principal balance of the Related On-Loan for such future payment date has or will be reduced as a result of the relevant prepayment.

**"Appointee"** means any attorney, manager, agent, delegate, nominee, custodian or other person appointed pursuant to the provisions of the Note Trust Deed or Issuer Deed of Charge.

**"Appointed Representative"** means has the meaning given to it in the section entitled "*The AssetCos – Direct Agreements*" hereto.

**"Arrangers"** means Barclays Bank PLC, RBC Europe Limited, The Royal Bank of Scotland plc and UBS Limited.

**"AssetCo"** means each Original AssetCo and each Acceding AssetCo and **"AssetCos"** means all or any of them as the context so requires.

**"AssetCo Accession Memorandum"** means the memorandum in the form set out in the Common Terms Agreement.

**"AssetCo Debenture"** means each debenture dated on or about the Initial Signing Date granted by an AssetCo in favour of the AssetCo Security Trustee and in the case of an Acceding AssetCo, the debenture granted by such AssetCo in favour of the AssetCo Security Trustee on or around the date of entering into the AssetCo Accession Memorandum.

**"AssetCo Debt Service Requirement"** means, in respect of any AssetCo for any period, the net aggregate of all amounts payable by such AssetCo in respect of:

- (a) Senior Financing Costs;
- (b) Senior Financing Principal; and
- (c) all other payments in respect of Financial Indebtedness (if any) falling to be paid under any of the AssetCo Documents,

in each case for such period and assuming that no AssetCo Event of Default occurs and is continuing during such period.

**"AssetCo Default"** means each AssetCo Event of Default or each Potential AssetCo Event of Default.

**"AssetCo Documents"** means:

- (a) each On-Loan Agreement;
- (b) each AssetCo Security Document;
- (c) the Project Documents relating to that AssetCo;
- (d) each AssetCo Hedge Agreement;
- (e) each Intra-Group Debt Document;
- (f) each Direct Agreement;
- (g) the DSRA Loan Agreement;
- (h) the Common Documents in so far as they relate to a relevant AssetCo; and
- (i) any other Transaction Document to which an AssetCo is a party and any other document which may be designated an AssetCo Document.

"**AssetCo Enforcement Notice**" means a notice delivered by the AssetCo Security Trustee to an AssetCo pursuant to the Issuer Deed of Charge.

"**AssetCo Event of Default**" means the events set out in the Common Terms Agreement and as described in the section entitled "*Issuer Transaction Document – Common Terms Agreement – AssetCo Events of Default*" hereto.

"**AssetCo Guarantee**" means the joint and several limited recourse guarantee given on or about the Initial Signing Date by each AssetCo (other than UPP (Broadgate Park) Limited) in favour of the AssetCo Security Trustee in respect of the AssetCo Secured Liabilities.

"**AssetCo Hedge Agreement**" means each ISDA Master Agreement entered into by the Issuer and an AssetCo in accordance with the Hedging Policy, including all AssetCo Hedging Transactions forming part thereof and subject thereto.

"**AssetCo Hedging Transaction**" means any Treasury Transaction entered into between the Issuer and an AssetCo in accordance with the Hedging Policy.

"**AssetCo Maintained Accounts**" means:

- (a) each Sinking Fund Account;
- (b) each Opex Account; and
- (c) each Insurance Proceeds Account,

opened with the Account Bank by ParentCo in each case with the account details specified in the Account Bank Agreement and any new accounts opened with the Account Bank and subject to the Account Bank Agreement on behalf of an AssetCo on equivalent terms or as otherwise agreed with ParentCo by the Account Bank and the Issuer.

"**AssetCo Management Services Agreement**" means an agreement between an AssetCo and the AssetCo Management Services Provider for the provision of management services to such AssetCo and as referred to in the relevant definition of Project Documents.

"**AssetCo Management Services Provider**" means UPP Residential Services Limited.

"**AssetCo Monitored Activity**" means:

- (d) any amendments (save in circumstances where the Common Terms Agreement expressly provides that no Issuer consent is required), determinations, waivers or consents in respect of, or relating to, the AssetCo Documents;
- (e) any changes to use or alteration of the Relevant Properties, subject as applicable to any materiality qualifications specified in the AssetCo Documents;
- (f) any amendment, consent or waiver in respect of a breach or proposed breach in respect of compliance with the relevant AssetCo's Operating Budget subject as applicable to any materiality qualifications specified in the AssetCo Documents;
- (g) any termination or replacement of Project Document transaction counterparties (including the FM Provider, as described further below);
- (h) the exercise of any right, power and discretion of the Issuer of or under any of the provisions of the AssetCo Documents;
- (i) any litigation, arbitration, administrative or other proceedings arising from or in connection with the AssetCo Documents which an AssetCo is obliged to give notice to the Issuer and the Issuer Security Trustee pursuant to the Common Terms Agreement;
- (j) any right to take Enforcement Action against any AssetCo; and
- (k) any other matter contemplated by the Services under the Monitoring Services Agreement.

"**AssetCo Mortgage**" means each mortgage entered or to be entered into by an AssetCo in favour of the AssetCo Security Trustee which is supplemental to the AssetCo Debenture to which that AssetCo is a party which secures amounts due by that AssetCo to the AssetCo Secured Creditors under the relevant AssetCo Documents.

"**AssetCo Secured Creditors**" means:

- (a) the AssetCo Security Trustee; and
- (b) the Issuer.

"**AssetCo Secured Liabilities**" means all present and future obligations and liabilities (whether actual or contingent) of each AssetCo to any AssetCo Secured Creditor under each AssetCo Document to which it is a party.

"**AssetCo Security**" means the Security created pursuant to the AssetCo Security Documents.

"**AssetCo Security Documents**" means:

- (a) each AssetCo Debenture;
- (b) each AssetCo Mortgage; and
- (c) the AssetCo Guarantee.

"**AssetCo Security Trustee**" means U.S. Bank Trustees Limited.

"**Asset Tests**" means each of the criteria specified with respect to a New Asset pursuant to the Additional Indebtedness Conditions.

"**Assigned Accounts**" means the AssetCo Maintained Accounts (and any renewal or redesignation of the same) and any other account that may be from time to time identified in writing as an Assigned Account by the AssetCo Security Trustee.

"**Assigned Agreements**" means each of the following to which an AssetCo is a party:

- (a) the AssetCo Hedge Agreement;
- (b) the Cash Administration Agreement;
- (c) the Intra-Group Debt Documents; and
- (d) the Project Documents.

"**Auditors**" means Grant Thornton UK LLP or such other independent public accountants of international standing which may be appointed by an Obligor as its auditors with the prior approval of the Issuer, the Issuer Security Trustee and ParentCo.

"**Authorised Investments**" means:

- (a) securities issued by the government of the U.K.;
- (b) demand or time deposits, certificates of deposit and short term unsecured debt obligations, including commercial paper, **provided that** the issuing entity or, if such investment is guaranteed, the guaranteeing entity, is rated the Minimum Short Term Rating; or
- (c) any other obligations, **provided that** in each case the relevant investment has the Minimum Short Term Rating and is either denominated in pounds sterling or (following the date on which the U.K. becomes a Participating Member State) euro or a currency which has been hedged in accordance with the Hedging Policy.

For the avoidance of doubt, "**Authorised Investments**" shall not include:

- (i) any structured or asset-backed securities or instruments, including collateralised debt obligations, securities or instruments backed by mortgages, mortgage related instruments, home equity loans, credit card receivables, automobile receivables, student loans or other securities or assets;
- (ii) any derivatives, hedging instruments, credit linked notes or similar instruments, other than if such instrument is entered into in accordance with or as contemplated under the Transaction Documents;
- (iii) any securities or instruments issued by any structured vehicle, including any structured investment vehicle or limited purpose company generally formed for the purpose of undertaking arbitrage activities by purchasing mostly medium and long-term assets and funding itself with mostly short term securities or instruments such as commercial paper and medium-term notes; or
- (iv) investments in any money market or liquidity funds that target investment in or hold any such securities or instruments referenced in Paragraphs (i), (ii) or (iii) above.

"**Authorised Signatory**" means, in relation to any Party, any person who is duly authorised and in respect of whom a certificate has been provided signed by a director or another duly authorised person of such Party setting out the name and signature of such person and confirming such person's authority to act.

"**Available**" has the meaning given to it in the section entitled "*The AssetCos – Project Framework – General Terms Applicable to all Projects*" and "**Availability**" shall be construed accordingly.

"**Available Discounted Cashflow**" means in respect of any Test Date:

- (a) in respect of a Relevant AssetCo and for the purposes of calculating the Relevant AssetCo Debt Life Coverage Ratio, the aggregate of the forecast Net Cashflow of such Relevant AssetCo attributable to the New Asset, discounted back to such Test Date by applying the applicable New Asset Discount Rate for each Test Period from such Test Date to the Final Test Date for the On-Loan(s) to be advanced to such Relevant AssetCo out of the proceeds of the further Securities; or
- (b) in respect of any AssetCo and for the purposes of calculating the Consolidated Debt Life Coverage Ratio, the aggregate of the forecast Net Cashflow of such AssetCo discounted back to such Test Date by applying the Discount Rate for each Test Period from such Test Date to the Final Test Date for such AssetCo.

"**Base Currency**" means pounds sterling.

"**Base Prospectus**" means this prospectus dated on or about the Initial Signing Date relating to the Programme.

"**Base Rent**" has the meaning given to it in the "Project Framework" section of this Base Prospectus.

"**Bearer Notes**" means those Notes which are in bearer form.

"**Benchmarked Rent**" has the meaning given to it in the "Project Framework" section of this Base Prospectus.

"**Benefit**" in respect of any asset, agreement, property or right (each a "**Right**" for the purpose of this definition) held, assigned, conveyed, transferred, charged, sold or disposed of by any person shall be construed so as to include:

- (a) all right, title, interest and benefit, present and future, actual and contingent (and interests arising in respect thereof) of such person in, to, under and in respect of such Right and all Ancillary Rights in respect of such Right.
- (b) all monies and proceeds payable or to become payable under, in respect of, or pursuant to such Right or its Ancillary Rights and the right to receive payment of such monies and proceeds and

all payments made including, in respect of any bank account, all sums of money which may at any time be credited to such bank account together with all interest accruing from time to time on such money and the debts represented by such bank account in which such person has an interest;

- (c) the benefit of all covenants, undertakings, representations, warranties and indemnities in favour of such person contained in or relating to such Right or its Ancillary Rights;
- (d) the benefit of all powers of and remedies for enforcing or protecting such person's right, title, interest and benefit in, to, under and in respect of such Right or its Ancillary Rights, including the right to demand, sue for, recover, receive and give receipts for proceeds of and amounts due under or in respect of or relating to such Right or its Ancillary Rights; and
- (e) all items expressed to be held on trust for such person under or comprised in any such Right or its Ancillary Rights, all rights to deliver notices and/or take such steps as are required to cause payment to become due and payable in respect of such Right and its Ancillary Rights, all rights of action in respect of any breach of or in connection with any such Right and its Ancillary Rights and all rights to receive damages or obtain other relief in respect of such breach.

**"Broadgate Park Damage Deposit Account"** means the account designated the "Broadgate Park Damage Deposit Account" opened and maintained by UPP (Broadgate Park) Limited.

**"Broadgate Park Project Documents"** means:

- (a) the lease of premises of University of Nottingham between the University of Nottingham and Nottingham University Foundation Limited dated 8 April 2003;
- (b) the deed of variation and clarification of lease between the University of Nottingham and Nottingham University Foundation Limited dated 4 June 2003;
- (c) the licence to assign between the University of Nottingham, Nottingham University Foundation Limited and UPP (Broadgate Park) Holdings Limited dated 4 June 2003;
- (d) the underlease between UPP (Broadgate Park) Limited and UPP Broadgate Park dated 30 June 2003;
- (e) the deed of variation between the University of Nottingham and UPP Broadgate Park dated 19 December 2003;
- (f) the nomination agreement and amendment letter between UPP (Broadgate Park) Limited, UPP Broadgate Park and the University of Nottingham dated 6 November 2009 as amended and restated by the refinancing agreement on or about the date hereof;
- (g) the FM Contract between UPP (Broadgate Park) Limited and UPP Residential Services Limited dated 6 November 2009 as amended from time to time;
- (h) the option and deed of variation between UPP (Broadgate Park) Limited, UPP Broadgate Park and the University of Nottingham dated 6 November 2009;
- (i) the underlease of part relating to premises known as Phase II between UPP (Broadgate Park) Limited and UPP Broadgate Park dated 6 November 2009;
- (j) the underlease of part relating to premises known as Phase I - Site 1 (also known as Phase 1A) between UPP (Broadgate Park) Limited and UPP Broadgate Park dated 6 November 2009;
- (k) the underlease of part relating to premises known as Phase I Sites 2 and 3 between UPP (Broadgate Park) Limited and UPP Broadgate Park dated 6 November 2009;
- (l) the agreement for underleases in respect of premises known as Broadgate Park, Broadgate, Nottingham between UPP (Broadgate Park) Limited and UPP Broadgate Park dated 4 June 2003;
- (m) a refinancing agreement dated on or about the date hereof relating to the bond refinancing of the student accommodation project at the University of Nottingham entered into between, amongst others, UPP Broadgate Park and the University of Nottingham;



- (n) the management services agreement entered into between UPP (Broadgate Park) Limited or UPP Broadgate Park and the AssetCo Management Services Provider dated 6 November 2009; and
- (o) any other document entered into by UPP Broadgate Park or UPP (Broadgate Park) Limited and designated as a "Broadgate Park Project Document" by UPP Broadgate Park or UPP (Broadgate Park) Limited and the Issuer in respect of such Project,

as such may be amended by agreement between UPP Broadgate Park or UPP (Broadgate Park) Limited and the Issuer from time to time.

**"Broadgate Park Receipts Account"** means the account designated the "Broadgate Park Receipts Account" opened and maintained by UPP (Broadgate Park) Limited with Barclays Bank PLC.

**"Broadgate Shares"** means all shares held by UPP Broadgate Park from time to time in UPP (Broadgate Park) Limited.

**"Budgeted Operating Expenditure"** means the operating expenditure of an AssetCo which has been budgeted to be incurred on a proper and prudent basis during the relevant period pursuant to an Operating Budget approved by the board of directors of such AssetCo and the Issuer (acting reasonably).

**"Business Day"** means (other than in any Hedge Agreement, where **"Business Day"** has the meaning given to it in that Hedge Agreement):

- (a) in relation to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in London and each (if any) additional city or cities specified in the relevant Final Terms or terms of the Private Placement Notes as applicable; and
- (b) in relation to any sum payable in a currency other than euro, a day on which commercial banks and foreign exchange markets settle payments generally in London, in the principal financial centre of the currency in which such financial indebtedness is denominated (which in the case of a payment in US dollars shall be New York) and in each (if any) additional city or cities specified in the relevant Final Terms or terms of the Private Placement Notes as applicable.

**"Calculation Agency Agreement"** means in relation to any Tranche, an agreement in or substantially in the form set out in the Agency Agreement.

**"Calculation Agent"** means Elavon Financial Services Limited, U.K. Branch, or, in relation to any Tranche, any other person appointed as calculation agent in relation to such Tranche by the Issuer pursuant to the provisions of a Calculation Agency Agreement (or in any other agreement) and shall include any other successor calculation agent appointed in respect of such Tranche.

**"Cash Administrator"** means Elavon Financial Services Limited, U.K. Branch.

**"Cash Administration Agreement"** means the cash administration agreement dated on or about the Initial Signing Date and made between, amongst others, the Issuer, the Cash Administrator and the Trustees.

**"Cash Equivalent"** means at any time:

- (a) certificates of deposit maturing within one year after the relevant date of calculation, issued by an Acceptable Bank;
- (b) any investment in marketable obligations issued or guaranteed by the government of the United States of America, the U.K., France or Germany or by an instrumentality or agency of any of them having an equivalent credit rating which:
  - (i) matures within one year after the relevant date of calculation; and
  - (ii) is not convertible into any other security;
- (c) open market commercial paper not convertible to any other security:

- (i) for which a recognised trading market exists;
  - (ii) issued in the United States of America, the U.K., France or Germany;
  - (iii) which matures within one year after the relevant date of calculation; and
  - (iv) which has a Minimum Short Term Rating, or, if no rating is available in respect of the commercial paper, the issuer of which has, in respect of its long-term unsecured and non-credit enhanced debt obligations, an equivalent rating;
- (d) sterling bills of exchange eligible for rediscount at the Bank of England and accepted by an Acceptable Bank (or any dematerialised equivalent);
- (e) investments accessible within 30 days in money market funds which:
- (i) have a credit rating of a Minimum Short Term Rating; and
  - (ii) invest substantially all their assets in securities of the types described in Paragraphs (a) to (d) above; or
- (f) any other debt security or investment approved by the Issuer Security Trustee,

in each case, to which any Obligor is beneficially entitled at that time and which is not issued or guaranteed by any Obligor or subject to any Security (other than one arising under the Security Documents).

"**Central Bank**" means the Central Bank of Ireland.

"**Charged Assets**" means the property, assets, rights and undertakings of the relevant AssetCo that are the subject of the Security created in or pursuant to the AssetCo Security Documents.

"**Collateral Rights**" means all rights, powers and remedies of the AssetCo Security Trustee provided by or pursuant to an AssetCo Debenture or any AssetCo Mortgage or by law.

"**Collection Account**" means the account designated a "Collection Account" and held in the name of ParentCo and maintained by the Account Bank pursuant to the Account Bank Agreement.

"**Common Documents**" means:

- (a) the Common Terms Agreement;
- (b) the Issuer Deed of Charge;
- (c) the Account Bank Agreement;
- (d) the Monitoring Services Agreement;
- (e) the Cash Administration Agreement;
- (f) the Issuer Management Services Agreement;
- (g) the Tax Deed of Covenant; and
- (h) the Conditions Precedent Agreement.

"**Common Safekeeper**" means an international central securities depository in its capacity as common safekeeper or a person nominated by the international central securities depository to perform the role of common safekeeper.

"**Common Terms Agreement**" means the common terms agreement dated on or about the Initial Signing Date between, among others, ParentCo, the Issuer, the Cash Administrator and the Account Bank.

"**Companies Acts**" has the meaning given to it in section 2 of the Companies Act 2006.

"**Compliance Certificate**" means a certificate, substantially in the form of that found in the Common Terms Agreement.

"**Conditions**" means the terms and conditions of the Notes set out in the Note Trust Deed, as may from time to time be amended, modified, varied or supplemented in the manner permitted under the Note Trust Deed.

"**Conditions Precedent Agreement**" means the conditions precedent agreement dated on or about the Initial Signing Date and made between, amongst others, the Issuer, HoldCo, ParentCo, the Cash Administrator and the Trustees.

"**Connected Creditor**" has the meaning given to it in the section entitled "Issuer".

"**Consolidated Debt Life Coverage Ratio**" means the ratio, calculated as at the Test Date next following the date on which further Securities are to be issued of:

- (a) the aggregate of:
  - (i) the Available Discounted Cashflow of each AssetCo (other than UPP (Broadgate Park) Limited; and
  - (ii) the amount (if any) standing to the credit of the Debt Service Reserve Account, the Securities Proceeds Account, the Collection Account, the Operating Account, the Opex Accounts and (to the extent the amounts standing to the credit of such account have not already been applied in prepayment of the corresponding amount of the relevant On-Loan(s)) the Repayment Account, as at such Test Date (but excluding each Sinking Fund Account and without double counting any amounts transferred to and from any account),to:
- (b) the aggregate principal amount of the On-Loan(s) of each AssetCo (other than UPP (Broadgate Park) Limited forecast to be outstanding on such Test Date taking into account the On-Loan(s) to be advanced out of the proceeds of such further Securities.

"**Controlled Rent**" has the meaning given to it in the 'Project Framework' section of this Base Prospectus.

"**Corresponding Notes**" has the meaning given to it in the Terms and Conditions hereto.

"**Corresponding Securities**" means the Securities issued by the Issuer the proceeds of which, in whole or in part, are advanced by the Issuer to the relevant AssetCo as an On-Loan and in respect of which the rate of interest and scheduled principal payable by such AssetCo pursuant to the terms of the relevant On-Loan Agreement corresponds to the rate of interest and (in aggregate) the Relevant Proportion of the scheduled principal payable by the Issuer in respect of such Securities.

"**Coupon**" means an interest coupon appertaining to a Definitive Note, such coupon being:

- (a) if appertaining to a Fixed Rate Note, a Floating Rate Note or an Indexed Note, in the form or substantially in the form set out in the Note Trust Deed or in such other form, having regard to the terms of issue of the Notes, as may be agreed between the Issuer, the Principal Paying Agent, the Issuer Note Trustee and the relevant Dealer(s); or
- (b) if appertaining to a Definitive Note which is neither a Fixed Rate Note nor a Floating Rate Note nor an Indexed Note, in such form as may be agreed between the Issuer, the Principal Paying Agent, the Issuer Note Trustee and the relevant Dealer(s),

and includes where applicable, the Talon(s) appertaining thereto and any replacements for Coupons and Talons issued pursuant to Condition 14 (*Replacement of Notes, Coupons, Receipts and Talons*).

"**CRA Regulation**" means Regulation (EU) No 1060/ 2009, as amended.

"**Cross-Currency Hedge Agreement**" means any Hedge Agreement which governs, *inter alia*, any Treasury Transaction which is a currency swap or exchange transaction.

**"Currency Hedging Transaction"** means a Hedging Transaction pursuant to which amounts payable by the Issuer and the relevant Hedge Counterparty are denominated in different currencies.

**"Damage Deposit Accounts"** means each of the Broadgate Park Damage Deposit Account, the Oxford Brookes Damage Deposit Account and the Nottingham Damage Deposit Account.

**"Damage Deposit Amounts"** means such amounts received by a relevant AssetCo and funded by users of an AssetCo's accommodation at a University as may be credited to a Damage Deposit Account from time to time.

**"Dealers"** means Barclays Bank PLC, RBC Europe Limited, Mitsubishi UFJ Securities International plc The Royal Bank of Scotland plc and UBS Limited and any other entity which the Issuer may appoint as a Dealer and notice of whose appointment has been given to the Principal Paying Agent and the Issuer Note Trustee by the Issuer in accordance with the provisions of the Dealership Agreement but excluding any entity whose appointment has been terminated in accordance with the provisions of the Dealership Agreement and notice of such termination has been given to the Principal Paying Agent and the Issuer Note Trustee by the Issuer in accordance with the provisions of the Dealership Agreement and references to a **"relevant Dealer"** or the **"relevant Dealer(s)"** mean, in relation to any Tranche, the Dealer or Dealers with whom the Issuer has agreed the issue of the Notes of such Tranche and **"Dealer"** means any one of them.

**"Dealership Agreement"** means the dealership agreement dated the date of this Base Prospectus made between, amongst others, UGL, UPP Investments Limited, the Obligors, the Arrangers and the Dealers.

**"Debt Service Reserve Account"** means the account designated the "Debt Service Reserve Account" and held in the name of the Issuer and maintained by the Account Bank pursuant to the Account Bank Agreement.

**"Debt Service Reserve Required Amount"** means an amount equal to or greater than the Senior Financing Costs and Senior Financing Principal payable by the Issuer in the next succeeding Interest Period.

**"Decision Period"** has the meaning given to it in the section entitled *"Issuer Transaction Documents – Issuer Deed of Charge – Issuer Secured Voting Arrangements – Modification, Consents and Waivers – Minimum requirements of a Proposal Request"*.

**"Default"** means each:

- (a) AssetCo Default; and
- (b) Issuer Default.

**"Defaulting AssetCo"** means an AssetCo in relation to which an Event of Default has occurred.

**"Definitive Note"** means a Bearer Note in definitive form issued by the Issuer in accordance with the provisions of the Agency Agreement and the Note Trust Deed in exchange for either a Temporary Global Note or part thereof or a Permanent Global Note (all as indicated in the applicable Final Terms), such Bearer Note in definitive form being in the form or substantially the form set out in the Note Trust Deed and having the Conditions endorsed thereon and having the relevant information supplementing, replacing or modifying the Conditions appearing in the applicable Final Terms endorsed thereon or attached thereto and (except in the case of a Zero Coupon Note in Bearer Note form) having Coupons and, where appropriate, Receipts and/or Talons attached thereto on issue.

**"Determination Dissenting Creditors"** has the meaning given to it in *"Issuer Transaction Documents – Issuer Deed of Charge – Issuer Secured Voting Arrangements – Modification, Consents and Waivers – Determination of voting category and entrenched rights"*.

**"Determination Dissenting Notice"** has the meaning given to it in *"Issuer Transaction Documents – Issuer Deed of Charge – Issuer Secured Voting Arrangements – Modification, Consents and Waivers – Determination of voting category and entrenched rights"*.

**"Direct Agreement"** means, in respect of an AssetCo:

- (a) the FM Provider Direct Agreement; and
- (b) the University Direct Agreement,

in each case to which it is a party.

**"Direction Notice"** has the meaning given to it in the section entitled "*Issuer Transaction Documents – Issuer Documents – Issuer Deed of Charge – Qualifying Issuer Secured Creditor Instructions – Request for Direction*".

**"Discount Rate"** means in respect of any AssetCo and any Test Period, the weighted average of the interest rates forecast to be applicable to the On-Loan(s) advanced to such AssetCo, weighted by reference to the anticipated amounts outstanding under each On-Loan as a proportion of the total amounts outstanding under all On-Loans to such AssetCo as at the start of such Test Period, taking into account any hedging arrangements forecast to be in effect during such Test Period, **provided that**, in respect of any On-Loan in respect of which the principal amount or periodic payments are linked to any inflation rate or similar index, the applicable interest rate will be the sum of the real interest rate stated to be applicable in respect of such On-Loan plus the Index Rate.

**"Discretion Matter"** means a matter in which the Issuer Security Trustee may exercise its discretion to approve any request made in a Proposal Request pursuant to the Issuer Deed of Charge.

**"Dispute"** means a dispute arising out of or in connection with any Transaction Document (including a dispute regarding the existence, validity or termination of any Transaction Document or relating to any non contractual or other obligation arising out of or in connection with any Transaction Document or the consequences of its nullity).

**"Distribution"** means in respect of HoldCo and each member of the Group, any of the following:

- (a) a redemption, purchase, defeasance, retirement or repayment of any of its shares or share capital (or any instrument convertible into shares or share capital);
- (b) payment of interest, dividend, charge, fee or other distribution (whether in cash or in kind) on or in respect of its shares or share capital (or any class of its share capital);
- (c) repayment or distribution of any share premium account;
- (d) payment of any management, advisory or other fee; or
- (e) payment, repayment or prepayment of any amount (whether of principal, fee, interest (either in cash or in kind), premium or any other charge or amount whatsoever) under, pursuant to or in respect of any Subordinated Debt.

**"Distribution Account"** means the account designated the "Distribution Account" and held in the name of ParentCo (on behalf of HoldCo) and maintained by the Account Bank pursuant to the Account Bank Agreement.

**"Dispute"** means a dispute arising out of or in connection with any Transaction Document (including a dispute regarding the existence, validity or termination of any Transaction Document or relating to any non-contractual or other obligation arising out of or in connection with any Transaction Document or the consequences of its nullity).

**"Drawdown Prospectus"** means a separate prospectus specific to a Tranche.

**"DSRA Loan"** has the meaning given to it in the section entitled "*Issuer Transaction Documents – Common Terms Agreement – Cash Management and Priority of Payments – Debt Service Reserve Account*".

**"DSRA Loan Agreement"** means the DSRA loan agreement dated on or about the Initial Signing Date made between the Issuer and the AssetCos.

**"Enforcement Action"** means:

- (a) demanding payment of any Liabilities on an accelerated basis;
- (b) accelerating any of the Liabilities or otherwise declaring any Liabilities prematurely due and payable or payable on demand or the premature termination or close-out of any Hedging Liabilities (other than a close out on a voluntary basis which would not result in a breach of the relevant transaction, a Hedge Agreement or the Common Terms Agreement);
- (c) enforcing any Liabilities by attachment, set-off (other than as expressly permitted by the Transaction Documents), execution, diligence, arrestment or otherwise;
- (d) crystallising, or requiring a Security Trustee to crystallise, any floating charge in the Security Documents.
- (e) enforcing, or requiring a Security Trustee to enforce, any Security;
- (f) initiating or supporting or taking any action or step with a view to:
  - (i) any insolvency, bankruptcy, liquidation, reorganisation, administration, receivership, administrative receivership, winding up, judicial composition or dissolution proceedings or any analogous proceedings in relation to any Obligor in any jurisdiction;
  - (ii) any voluntary arrangement, scheme of arrangement or assignment for the benefit of creditors; or
  - (iii) any similar proceedings involving any Obligor whether by petition, convening a meeting, voting for a resolution or otherwise;
- (g) bringing or joining any legal proceedings against any Obligor (or any of its Subsidiaries) to recover any Liabilities; or
- (h) otherwise exercising any other legal remedy for the recovery of any Liabilities,

**provided that** none of the following actions shall constitute enforcement action (A) payment netting in the ordinary course in respect of any Hedging Liabilities as permitted by a Hedge Agreement, (B) any Permitted Hedge Termination, or (C) (i) proceedings for injunctive relief (or analogous proceedings in any jurisdiction outside England and Wales) to restrain any actual or putative breach of the relevant Transaction Documents or for specific performance without damages or (ii) for the purpose of preserving any claim which would otherwise be lost as a result of a statutory limitation period being exceeded, if to do so would not conflict with any other term of the Common Terms Agreement.

**"Enforcement Instruction Notice"** means a notice of the Issuer Security Trustee requesting an instruction from the Qualifying Issuer Secured Creditors in relation to Enforcement Action as described in the Issuer Deed of Charge.

**"Entrenched Right Dissenting Creditor"** has the meaning given to it in the section entitled "*Issuer Transaction Documents – Issuer Deed of Charge – Modifications, Consents and Waivers – Determination of Voting Categories and entrenched rights*".

**"Entrenched Right Dissenting Notice"** has the meaning given to it in the section entitled "*Issuer Transaction Documents – Issuer Deed of Charge – Modifications, Consents and Waivers – Determination of Voting Categories and entrenched rights*".

**"Entrenched Rights"** are matters which:

- (a) would delay the date fixed for payment of principal or interest in respect of the relevant Issuer Secured Creditor's debt or would reduce the amount of principal or the rate of interest payable in respect of such debt;
- (b) would bring forward the date fixed for payment of principal or interest in respect of an Issuer Secured Creditor's debt or would increase the amount of principal or the rate of interest payable on any date in respect of such debt;

- (c) would have the effect of adversely changing (i) the Operating Account Priority of Payments, the Issuer Priority of Payments or, in each case, application thereof in respect of an Issuer Secured Creditor or (ii) in respect of the Issuer, the Issuer Security Trustee, the Issuer Note Trustee, each Private Placement Noteholder and each Hedge Counterparty, paragraphs 5, 6, 7, 8 and 9 of the Operating Account Priority of Payments;
- (d) would result in the exchange of the relevant Issuer Secured Creditor's debt for, or the conversion of such debt into, shares, notes or other obligations of any other person;
- (e) would change or would relate to the currency of payment due under the relevant Issuer Secured Creditor's debt (other than due to the U.K. adopting the euro);
- (f) would change or would relate to any existing obligation of an Issuer Obligor to gross up any payment in respect of the relevant Issuer Secured Creditor's debt in the event of the imposition of withholding taxes;
- (g) would change or would have the effect of changing (i) any of the following definitions: Issuer Secured Creditor; Qualifying Issuer Secured Creditors; Affected Issuer Secured Creditor; Qualifying Issuer Senior Debt; Voted Qualifying Debt; Security; Ordinary Voting Matter; Extraordinary Voting Matter; Extraordinary ISC Resolution; Reserved Matter; Entrenched Right; Issuer Secured Liabilities; AssetCo Secured Liabilities; Participating Qualifying Issuer Secured Creditors; Secured Creditor Representative; MA Proposal Request; ISC Direction Matter; ISC Recommendation Matter; Ordinary Matter; Expedited Matter; ISC Voting Request; MA Direction Matter; Majority Creditor; Relevant Proposer; Monitoring Adviser Recommendation; ISC Rejected Proposal; Permitted Financial Indebtedness; Payment Terms; Discretion Matter; (ii) the Decision Period; Category Determination Date; Quorum Requirement or voting majority required in respect of any Ordinary Voting Matter, Extraordinary Voting Matter or Enforcement Instruction Notice; (iii) any matters which give rise to the right to exercise any rights in relation to Entrenched Rights under the Issuer Deed of Charge or (iv) the sections entitled "*Description of Issuer Transaction Documents – Issuer Deed of Charge – Issuer Secured Creditor Voting Arrangements – Modifications, Consents and Waivers – Entrenched Rights*" and "*Description of Issuer Transaction Documents – Issuer Deed of Charge – Issuer Secured Creditor Voting Arrangements – Modifications, Consents and Waivers – Reserved Matters of Issuer Secured Creditors*" hereto;
- (h) would change or have the effect of changing the section entitled "*Description of Issuer Transaction Documents – Issuer Deed of Charge – Issuer Secured Creditor Voting Arrangements – Voting – Qualifying Issuer Senior Debt*" hereto;
- (i) in respect of each Hedge Counterparty (in addition to those rights specified in paragraphs (a) to (h) above and (l) below):
  - (i) would change or would have the effect of changing any of the following definitions: Hedge Agreement, Hedging Policy; Hedge Counterparty; Initial Hedge Counterparty; Issuer Hedge Agreement; AssetCo Hedge Agreement; Hedging Transaction; Hedging Policy; Hedging Liabilities; Hedging Subordinated Amount; Hedging Transaction; Pari Passu Issuer Hedge Agreement; Pari Passu Hedging Transaction; Pari Passu Hedge Counterparties; Super Senior Issuer Hedging Agreement;
  - (ii) would change or would have the effect of changing paragraph 6 (*Issuer Hedging*) and paragraphs 11 (*Currency Risk Principles*) to paragraph 16 (*AssetCo Overhedging Principles*) of the Hedging Policy;
  - (iii) would change or have the effect of changing the definition of Permitted Hedge Termination or any of the Hedge Counterparties' rights to terminate the Hedging Agreements as set out in the Hedging Policy;
  - (iv) would change or have the effect of changing the definitions of AssetCo Enforcement Notice, Issuer Enforcement Notice or Senior DSCR Enforcement Notice; or

- (v) would change or have the effect of changing paragraph (b)(F) in the section entitled "*Description of Issuer Transaction Documents – Common Terms Agreement – ParentCo and HoldCo Covenants*" or paragraph (b) of the negative covenants of the section entitled "*Description of Issuer Transaction Documents – Common Terms Agreement – AssetCo Covenants*" hereto;
- (j) in respect of a Trustee only, would have the effect of imposing further obligations and liabilities under any Transaction Document to which such Trustee is a party other than as contemplated in such Transaction Document;
- (k) in respect of the Monitoring Adviser only, its MA Entrenched Right only;
- (l) in respect of the Issuer Corporate Officer Provider only, its ICO Entrenched Right only; and
- (m) would change or release or have the effect of changing or releasing any of the Issuer Obligor Security or the AssetCo Security other than as permitted by the Transaction Documents;

"**Environmental Approvals**" or "**Environmental Permits**" shall in either case where used mean any permit, licence, consent, approval or other authorisation and the filing of any notification, report or assessment required under any Environmental Law.

"**Environmental Claim**" means any written claim by any person in connection with:

- (a) a breach, or alleged breach, of Environmental Law;
- (b) any accident, fire, explosion or other event of any type involving an emission or substance which is capable of causing harm to any living organism or the environment; or
- (c) any other material environmental contamination in respect of a Project.

"**Environmental Law**" means any law or regulation concerning:

- (a) the protection of human health;
- (b) the protection of the environment;
- (c) the condition of the workplace; or
- (d) any emission or substance which is capable of causing harm to any living organism.

"**Equity Subscription**" means any amount of equity subscribed in HoldCo together with any further equity subscribed in any other Obligor representing (directly or indirectly) the proceeds of such equity subscription in HoldCo.

"**Euro Regulation S Global Registered Note Certificate**" means, in relation to any Regulation S Notes which are Registered Notes, a global note certificate representing the Regulation S Notes in the form or substantially in the form set out in the Note Trust Deed with such modification (if any) as may be agreed between the Issuer, the Issuer Note Trustee and the relevant Dealer.

"**Even Handed Basis**" means an obligation on the Partner University to market and allocate the student accommodation managed by UPP on the same basis as student accommodation owned, controlled or managed by the Partner University.

"**Event of Default**" means an Issuer Event of Default or an AssetCo Event of Default.

"**Exchange Date**" means in relation to each Temporary Global Note, the first day following the expiry of forty days after the Issue Date of such Temporary Global Note.

"**Expedited Matter**" means any matter which is the subject of a MA Proposal Request in respect of which the Relevant Proposer has certified that the approval or rejection of such a MA Proposal Request is time critical having regard to the interests of the Group or the Issuer Secured Creditors (or both) and for which the Relevant Proposer has provided a reasonable basis (having regard to the urgency of such MA Proposal Request) for making such determination. For the avoidance of doubt, any health and safety



matter concerning the relevant AssetCo shall be deemed to be reasonable basis to consider the approval or rejection of a MA Proposal Request as time critical.

**"Extraordinary ISC Resolution"** has the meaning given to it in the section entitled *"Issuer Transaction Documents – Issuer Deed of Charge – Modifications, Consents and Waivers – Requisite Regulatory in respect of an Extraordinary Voting Matter"*.

**"Extraordinary Voting Matters"** are matters which:

- (a) would change this definition;
- (b) would change any Monitoring Trigger Events, Senior DSCR Enforcement Event, Lock-Up Event or Events of Default in relation to non-payment, the making of Distributions or financial ratios;
- (c) would relate to the waiver of any Monitoring Trigger Events, Senior DSCR Enforcement Event, Lock-Up Event or Events of Default in relation to non-payment, the making of Distributions or financial ratios;
- (d) would change in any adverse respect the restriction on any disposal of an Obligor or relate to a consent in respect of any such disposal;
- (e) would materially change or have the effect of changing the definition of Permitted Business;
- (f) would materially change or have the effect of changing the definition of AssetCo Monitored Activity;
- (g) would change or have the effect of changing the provisions relating to, or which relate to, the waiver of the Additional Indebtedness Conditions; or
- (h) would bring forward the scheduled maturity date of any Financial Indebtedness following the occurrence of a Monitoring Trigger Event which is continuing.

**"FATCA"** means:

- (a) sections 1471 to 1474 of the US Internal Revenue Code of 1986 (the "**Code**") or any associated regulations or other official guidance;
- (b) any treaty, law, regulation or other official guidance enacted in any other jurisdiction, or relating to an intergovernmental agreement between the US and any other jurisdiction, which (in either case) facilitates the implementation of paragraph (a) above; or
- (c) any agreement pursuant to the implementation of paragraphs (a) or (b) above with the US Internal Revenue Service, the US government or any governmental or taxation authority in any other jurisdiction.

**"FATCA Withholding"** means a deduction or withholding from a payment under a Transaction Document required by FATCA.

**"Final Discharge Date"** means the date on which the Issuer Security Trustee notifies the Issuer and the Issuer Secured Creditors that it is satisfied that all the Issuer Obligor Secured Liabilities and/or all other moneys and other liabilities due or owing by the Issuer Obligors have been paid or discharged in full.

**"Final Terms"** means the final terms issued in relation to each Tranche or Series of Notes as a supplement to the Conditions and giving details of the terms of the relevant Tranche or Series.

**"Final Test Date"** means in respect of any AssetCo the final Test Date on which final repayment of the On-Loans made to such AssetCo is scheduled to occur.

**"Financial Indebtedness"** means any indebtedness for or in respect of the following (without double counting):

- (a) moneys borrowed and debit balances at financial institutions;

- (b) any acceptance credit or bill discounting facility (including any dematerialised equivalent);
- (c) any bond, note, debenture, loan stock or other similar instrument;
- (d) any share in any Obligor which is not held by another Obligor and which by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable, in each case at the option of the holder of that security) is capable of maturing or being mandatorily redeemable or redeemable at the option of its holder in whole or in part;
- (e) any agreement treated as a finance or capital lease in accordance with the Accounting Standards;
- (f) receivables sold or discounted (other than any receivables to the extent they are sold on a non recourse basis);
- (g) the acquisition cost of any asset or service to the extent payable before or after its acquisition or possession by the party liable where the advance or deferred payment:
  - (i) is arranged primarily as a method of raising finance or financing the acquisition or construction of that asset or the acquisition of that service (but excluding trade credit on customary commercial terms); or
  - (ii) involves a period of more than twelve months before or after the date of acquisition or supply;
- (h) any Treasury Transaction (excluding the mark to market value of any Hedge Agreement (to the extent not crystallised) but including accretions by indexation on the notional amount of inflation-linked Hedge Agreements);
- (i) any other transaction (including any forward sale or purchase agreement and any sale and sale back, sale and lease back or deferred purchase arrangement) which has the commercial effect of a borrowing;
- (j) any counter indemnity obligation in respect of any guarantee, indemnity, bond, letter of credit or other instrument issued by a bank or financial institution save to the extent the same is issued in respect of obligations other than Financial Indebtedness;
- (k) including (without double-counting) any amount of indexation which has accreted on a liability which is of the nature referred to in the above Paragraphs; or
- (l) any guarantee in respect of an underlying liability of any person which is of the nature referred to in the above Paragraphs.

**"Financial Model"** means the financial model prepared in respect of the Initial Issue Date in the agreed form initialled for identification purposes by the Issuer and the Monitoring Adviser.

**"Financial Statements"** means, at any time, the financial statements of an Obligor and additionally, in the case of HoldCo, consolidated financial statements of itself and its Subsidiaries, in each case most recently delivered to a Security Trustee.

**"Financing Rights"** means all rights which the Issuer has the benefit of pursuant to any AssetCo Document including:

- (a) the right to consent to any amendment, waiver, modification and/or extension of any provision of any AssetCo Document, or the right to direct the AssetCo Security Trustee to do the same;
- (b) the right to exercise any right, power and discretion of or under any of the provisions of the AssetCo Documents (including the rights to refuse to advance sums upon non satisfaction of, or to waive, any conditions precedent contained in any AssetCo Document) or the right to direct the AssetCo Security Trustee to do the same;
- (c) the right to bring any litigation, arbitration, administrative or other proceedings arising from or in connection with the AssetCo Documents or the right to direct the AssetCo Security Trustee to do the same;

- (d) the right to take Enforcement Action against any AssetCo or the right to direct the AssetCo Security Trustee to do the same; or
- (e) any other right expressed to be in favour of the Issuer under any AssetCo Document.

"**Financial Year**" means the 12 month period ending on 31 August in each year.

"**Fitch**" means Fitch Ratings Ltd or any successor to its rating business.

"**Fixed Rate Note**" means a Note on which interest is calculated at a fixed rate payable in arrears on a fixed date or fixed dates in each year and on redemption or on such other dates as may be agreed between the Issuer and the relevant Dealer(s) (as indicated in the applicable Final Terms).

"**Floating Rate Note**" means a Note on which interest is calculated at a floating rate payable in arrear in respect of such period or on such date(s) as may be agreed between the Issuer and the relevant Dealer(s) (as indicated in the applicable Final Terms).

"**FM**" means facilities management.

"**FM Provider**" means UPP Residential Services Limited.

"**FM Provider Direct Agreement**" means each Direct Agreement in favour of the Issuer between the AssetCos (other than UPP (Broadgate Park) Limited), the FM Provider and the Issuer.

"**FM Services**" means the services provided by the FM Provider pursuant to each FM Services Contract.

"**FM Services Contract**" means the services contract between each AssetCo (other than UPP (Broadgate Park) Limited) and the FM Provider.

"**FSMA**" means the Financial Services and Markets Act 2000.

"**Global Note**" means a Temporary Global Note or a Permanent Global Note, as the case may be.

"**Global Note Certificates**" means the Regulation S Global Note Certificates.

"**Governmental Authority**" means any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

"**Gross Revenues**" means, in respect of any AssetCo for any period, the aggregate (without double counting) of all sums of a revenue or income nature (in each case determined on a receipts basis, actual, or as the case may be, forecast) received or to be received by such AssetCo including:

- (a) all payments received by such AssetCo in respect of the Project and Project Documents and any other amounts received by the AssetCo such as vacation income and commercial income but excluding any payments of compensation under the Project Documents.
- (b) insurance proceeds in respect of advance loss of profits or business interruption insurance to the extent that the same are credited to the Operating Account;
- (c) net amounts received pursuant to the AssetCo Hedge Agreements entered into in compliance with the Hedging Policy;
- (d) (i) interest in respect of monies standing to the credit of its AssetCo Maintained Accounts when credited to such Accounts and (ii) in respect of each ParentCo Account (other than the Distribution Account) an amount equal to its proportionate share of the interest in respect of monies standing to the credit of such ParentCo Accounts when credited to the relevant Account in proportion to the balance of such Account which is solely attributable to the relevant AssetCo; and
- (e) all refunds of Tax of any kind (including VAT).

"**Group**" means HoldCo, ParentCo, the Issuer, each AssetCo and each of their respective Subsidiaries.

**"Group Agent"** means ParentCo.

**"Guaranteed Obligations"** means all money and liabilities due, owing or incurred to the AssetCo Security Trustee (whether for its own account or as security trustee for the other AssetCo Secured Creditors) or any of the other AssetCo Secured Creditors by any Guarantor under the AssetCo Documents (or any of them) and under the AssetCo Guarantee in whatsoever manner in any currency or currencies whether present or future, actual or contingent, whether incurred solely or jointly with any other person and whether as principal or surety together with all interest accruing on such moneys and liabilities and all costs, charges and expenses incurred by a Guarantor to the AssetCo Security Trustee (whether for its own account or as security trustee for the other AssetCo Secured Creditors) or any of the other AssetCo Secured Creditors under any AssetCo Document.

**"Headlease"** has the meaning given to it in the relevant Project Documents.

**"Hedge Agreement"** means an AssetCo Hedge Agreement or an Issuer Hedge Agreement.

**"Hedge Counterparty"** means each Initial Hedge Counterparty and any other counterparty which is a party to an Issuer Hedge Agreement and which accedes as a Hedge Counterparty to the Common Terms Agreement and the Issuer Deed of Charge (together, the **"Hedge Counterparties"**).

**"Hedging Liabilities"** means the Liabilities owed to any Hedge Counterparty or, in the case of an AssetCo, to the Issuer, pursuant to a Hedge Agreement and the related Hedging Transaction.

**"Hedging Policy"** means the policy set out in the Common Terms Agreement and as summarised in the section entitled *"Issuer Transaction Documents – Common Terms Agreement – Hedging Policy"*.

**"Hedging Subordinated Amount"** means any amount due and payable by the Issuer to the Hedge Counterparty upon termination of an Issuer Hedge Agreement due to the occurrence of an event of default under such Issuer Hedge Agreement in respect of which the Hedge Counterparty is the defaulting party.

**"Hedging Transaction"** means any Treasury Transaction entered into with the Issuer in accordance with the Hedging Policy.

**"HEFCE"** means Higher Education Funding Council For England.

**"Higher Education Statistics Agency"** or **"HESA"** means the official agency for the collection, analysis and dissemination of quantitative information about higher education.

**"Historic AssetCo DSCR"** means, in respect of any AssetCo as at any Test Date, the ratio of:

- (a) the aggregated Net Cash Flow in respect of such AssetCo for the Test Period ending on such Test Date; to
- (b) the AssetCo Debt Service Requirement of such AssetCo for the Test Period ending on such Test Date.

**"Historic Senior DSCR"** means, as at any Test Date, (other than the Initial Test Date), the ratio of:

- (a) the aggregated Net Cash Flow in respect of all AssetCos for the Test Period ending on such Test Date; to
- (b) the aggregated AssetCo Debt Service Requirement in respect of all AssetCos for the Test Period ending on such Test Date,

or, in respect of the Initial Test Date only, the Initial Senior DSCR.

**"HMRC"** means Her Majesty's Revenue and Customs.

**"HoldCo"** means UPP Bond 1 Holdings Limited.

**"HoldCo Group Structure Chart"** means a chart setting out the ownership structure of HoldCo Group.

**"HoldCo Share Charge"** means the share charge dated on or about the Initial Signing Date granted by HoldCo in favour of the Issuer Security Trustee in respect of all of its shares in ParentCo.

**"Holding Company"** of any other person, means a person in respect of which that other person is a Subsidiary.

**"HSE"** means the Health and Safety Executive.

**"ICO Entrenched Right"** means matters which would have the effect of adversely changing the ranking of the claims of the Issuer Corporate Officer Provider in the Issuer Priority of Payments or the ranking of the claims of the Issuer in the Operating Account Priority of Payments.

**"IFRS"** means the International Financial Reporting Standards set by the International Accounting Standards Board.

**"Income Payment Date"** means:

- (a) for UPP (Broadgate Park) Limited 07 November, 07 February and 27 May;
- (b) for UPP (Kent Student Accommodation) Limited 10 November, 10 February, 10 May and 10 August;
- (c) for UPP (Nottingham) Limited 14 November, 11 February and 15 May;
- (d) for UPP (Oxford Brookes) Limited 14 November, 14 February, 14 May and 14 August;
- (e) for UPP (Plymouth Three) Limited 31 October, 11 February and 28 May; and
- (f) for UPP (Alcuin) Limited 10 November, 10 February, 10 May and 10 August,

in each year and in each case commencing on the date first to occur following the Initial Signing Date.

**"Income Period"** means in respect of each AssetCo (other than UPP Broadgate Park) the period beginning on (and including) an Income Payment Date and ending on (but excluding) the succeeding Income Payment Date in respect of that AssetCo.

**"Index-Linked Hedging Transaction"** means a Hedging Transaction pursuant to which one party makes payments determined by reference to an index-linked to UK inflation.

**"Index Rate"** means, a percentage equal to the average of:

- (a) the inflation rate derived from the relevant published index rate for UK inflation or other index rate in the U.K. to which the relevant On-Loan is linked for the period commencing 12 months prior to the first day of the applicable Test Period and ending on the day before the start of the applicable Test Period; and
- (b) the inflation rate derived from the relevant published index rate for UK inflation or other index rate in the U.K. to which the relevant On-Loan is linked for the period commencing 24 months prior to the first day of the applicable Test Period and ending on the day 12 months before the start of the applicable Test Period.

**"Indexed Note"** means a Note in respect of which the amount payable in respect of the principal and interest is calculated by reference to an index and/or formula as the Issuer and the relevant Dealer(s) may agree (as indicated in the relevant Final Terms).

**"Initial Issue Date"** means the date of initial issuance under the Programme.

**"Initial Notes"** means the notes issued on the Initial Issue Date.

**"Initial Senior DSCR"** means, as at the Initial Test Date, the ratio of:

- (a) the aggregated Net Cash Flow in respect of all AssetCos for the Test Period ending on the Initial Test Date but disregarding for the purposes of such calculation the transaction fees, costs and

expenses incurred as at the Initial Issue Date in respect of the issuance of Notes and refinancing of existing Financial Indebtedness; to

- (b) the sum of:
- (i) in respect of the period commencing on 1 September 2012 and ending on the Initial Issue Date, an amount calculated on a pro forma basis which is equal to the aggregated AssetCo Debt Service Requirement in respect of all AssetCos for the period up to but excluding the Initial Issue Date and assuming for the purposes of such calculation that the Notes issued on the Initial Issue Date had been issued (and related On Loan Agreements and AssetCo Hedge Agreements had been entered into) on 1 September 2012 on the same economic terms as at the Initial Issue Date (and assuming for such purpose no principal amortisation prior to the Initial Issue Date); and
  - (ii) in respect of the period commencing on the Initial Issue Date and ending on the Initial Test Date, the aggregated AssetCo Senior Debt Service Requirement in respect of all AssetCos for such period.

**"Initial Signing Date"** means the date of the Dealership Agreement or in relation to any Transaction Document becoming effective after such date, the Initial Issue Date.

**"Initial Test Date"** means 31 August 2013.

**"Insolvency Act"** means the Insolvency Act 1986 and any subsidiary legislation.

**"Insolvency Event"** in respect of any person means any corporate action, legal proceedings or other procedure or step taken by any person in relation to:

- (a) the initiation of or consent to Insolvency Proceedings in respect of such person; or
- (b) the enforcement of any mortgage, charge, lien, pledge or other Security securing any obligation of any person or any other agreement or arrangement having a similar effect, over any assets of or the undertaking of such person (but excluding, in relation to the Issuer, the appointment of a Receiver of the Issuer by the Issuer Security Trustee); or
- (c) any distress, execution, diligence, expropriation, sequestration, attachment or other process being levied or enforced or imposed upon or against any asset or assets of such person (but excluding, in relation to the Issuer, by the Issuer Security Trustee or by any Receiver of the Issuer appointed by the Issuer Security Trustee) and such order, appointment, possession or process (as the case may be) not being discharged or otherwise ceasing to apply within thirty (30) days; or
- (d) an arrangement, composition, reorganisation or compromise (whether by way of voluntary arrangement, scheme of arrangement or otherwise) with any creditor of such person or a conveyance to or assignment with any creditor of such person or an application to or filing with a court of competent jurisdiction for protection from the creditors of such person or any analogous procedure or steps being taken in any jurisdiction; or
- (e) the appointment of any Insolvency Official in relation to such person or in relation to any part of the undertaking or assets of such person (but excluding, in relation to the Issuer, the appointment of a Receiver of the Issuer by the Issuer Security Trustee); or
- (f) otherwise than for the purposes of an amalgamation, merger, reorganisation or reconstruction, such person ceasing to carry on business or any part of its business, stopping or suspending or threatening to stop or suspend payment of any of its debts, being unable to or admitting inability to pay its debts as they fall due, being deemed unable to pay its debts pursuant to or for the purposes of any applicable law or commencing negotiations with one or more of its creditors with a view to rescheduling any of its debts; or
- (g) in the case of an Issuer Obligor, such Issuer Obligor being unable to pay its debts within the meaning of sections 123(1)(b) or (e) of the Insolvency Act and in the case of an AssetCo or any other person is insolvent for the purposes of section 123 of the Insolvency Act,

**provided that** any winding up whilst the Issuer is solvent for the purpose of a merger, reconstruction, reorganisation, consolidation or amalgamation, the terms of which have previously been approved by the Issuer Security Trustee and any frivolous or vexatious claims dismissed within 30 days, shall not constitute an Insolvency Event.

**"Insolvency Official"** means, in respect of any person, a liquidator, provisional liquidator, administrator, administrative receiver, receiver or manager, receiver, nominee, manager, interim manager, supervisor, trustee, conservator, guardian or other similar official or officer in respect of such person or in respect of any of the person's assets or in respect of any arrangement, compromise or composition with creditors.

**"Insolvency Proceedings"** means, with respect to any person, the winding up (liquidation), sequestration, petition, appointment of an administrator (including, the giving of notice of intention to appoint an administrator or the filing of an application for administration) or the making of an administration order or dissolution of such person or any equivalent or analogous proceedings under the laws of any jurisdiction.

**"Instalment Amount"** has the meaning given to it in the section entitled "*Terms and Conditions of the Notes – Interest and other Calculations – Determination and Publication of Interest Rates, Interest Amounts, Redemption Amounts and Instalment Amounts*" hereto.

**"Instalment Date"** has the meaning given to it in the relevant Final Terms.

**"Insurance Policy"** means any policy of insurance relating to a Project in which an AssetCo may from time to time have an interest including such AssetCo's interest in any insurances relating to its Project and all its Related Rights.

**"Insurance Proceeds"** means the proceeds of any insurance claim (other than any proceeds properly payable and paid directly by the insurer to any third party which is beneficially entitled to such payment) under any insurance maintained by any member of the Group.

**"Insurance Proceeds Account"** means each account designated an "Insurance Proceeds Account" and held in the name of ParentCo (on behalf of each AssetCo other than UPP (Broadgate Park) Limited) and maintained by the Account Bank pursuant to the Account Bank Agreement.

**"Interest Commencement Date"** means (i) in the case of interest-bearing Notes, the date specified in the applicable Final Terms; and (ii) in the case of interest-bearing Private Placement Notes, the date specified in the terms of the relevant Private Placement Notes, in each case, from (and including) when such Notes or Private Placement Notes (as applicable) bear interest, which may or may not be the Issue Date.

**"Interest Payment Date"** means such date(s) as specified in the Common Terms Agreement.

**"Interest Period"** means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date.

**"Interest Rate Hedging Transaction"** means an interest rate swap transaction which is not an Index-Linked Hedging Transaction or a Currency Hedging Transaction.

**"Intra-Group Debt"** means

- (a) a loan or other form of Financial Indebtedness made or borrowed by (i) an Issuer Obligor to or from another Issuer Obligor or (ii) any Issuer Obligor to an AssetCo other than an On-Loan or (iii) an AssetCo to its subsidiary (in accordance with the Steps Paper within a period of six months from the date of the Steps Paper), in each case representing (directly or indirectly) the proceeds of Subordinated Debt;
- (b) a DSRA Loan; or
- (c) in respect of the relevant AssetCo and excluding any amount held in any Account subject to a trust arrangement in respect of which the relevant AssetCo is beneficially entitled, any amounts held on deposit in a ParentCo Account or an AssetCo Maintained Account.

**"Intra-Group Debt Documents"** means any loan agreement or other document evidencing Intra Group Debt.

**"Investment Proceeds"** proceeds on Authorised Investments.

**"Investor Report"** means the annual investor report published by the Group Agent within 120 days of its Financial Year end.

**"Investor Website"** means the investor website of the Issuer having the address [www.upp-ltd.com/investors](http://www.upp-ltd.com/investors).

**"Irish Stock Exchange"** means the Irish Stock Exchange Limited.

**"ISC Direction Matter"** means any MA Proposal Request (when taken together with the relevant Monitoring Adviser Recommendation):

- (d) relating to or having the effect of changing any Payment Terms (including any such matter constituting an Entrenched Right of any class of Issuer Secured Creditors which shall additionally be subject to the consent of the relevant class of Issuer Secured Creditors);
- (b) which would result in the release of any AssetCo Security (or Issuer Obligor Security in respect of an AssetCo);
- (c) which is an ISC Rejected Proposal;
- (d) following an Issuer Event of Default or Senior DSCR Enforcement Event relating to any proposed Enforcement Action in relation to any AssetCo or, (with respect to any AssetCo), the Issuer including, without limitation, any enforcement of any AssetCo Security;
- (e) in respect of any proposal by the Issuer to terminate the engagement of the Monitoring Adviser or any MA Proposal Request to engage a replacement monitoring adviser; and
- (f) any other matter which the Monitoring Adviser recommends should be an ISC Direction Matter pursuant to the terms of the relevant Monitoring Adviser Recommendation.

**"ISC Recommendation Matter"** means any MA Proposal Request (when taken together with the relevant Monitoring Adviser Recommendation):

- (a) which is, or could reasonably be expected to be, in the opinion of the Monitoring Adviser, materially adverse to the creditworthiness of the relevant AssetCo or the Group or the interests of the Issuer or the Issuer Secured Creditors;
- (b) that the Monitoring Adviser considers is a matter the approval or rejection of which should be subject to a right to vote of Qualifying Issuer Secured Creditors in the manner contemplated by paragraph (e) of the section entitled "Description of Issuer Transaction Documents – Monitoring Services Agreement – AssetCo Monitored Activities Decision Procedures" hereto; or
- (c) relating to any MA Direction Matter if the Monitoring Adviser has not approved the relevant MA Proposal Request.

**"ISC Rejected Proposal"** has the meaning given to it in the section entitled "*Description of Issuer Transaction Documents – Monitoring Services Agreement – AssetCo Monitored Activities Decision Procedures*" hereto.

**"ISC Voting Request"** has the meaning given to it in the section entitled "*Description of Issuer Transaction Documents – Issuer Deed of Charge – Modifications, Consents and Waivers – ISC Voting Request*".

**"ISDA Master Agreement"** has the meaning given to it in paragraph 7 (*Principles relating to Treasury Transactions*) of the section entitled "*Description of Issuer Transaction Documents – Common Terms Agreement – Hedging Policy*".



**"Issue Date"** means the date of issue of any Securities.

**"Issue Price"** means the price as stated in the relevant Final Terms or terms of the Private Placement Notes as applicable, generally expressed as a percentage of the nominal amount of the Securities, at which the Securities will be issued.

**"Issuer"** means UPP Bond 1 Issuer plc.

**"Issuer Accounts"** means

- (a) the Repayment Account;
- (b) the Debt Service Reserve Account; and
- (c) the Issuer Profit Account,

opened with the Account Bank by the Issuer in each case with the account details specified in the Account Bank Agreement and any new accounts opened with the Account Bank and subject to the Account Bank Agreement by the Issuer on equivalent terms or as otherwise agreed with ParentCo by the Account Bank, the Issuer Security Trustee and the Issuer.

**"Issuer Corporate Officer Agreement"** means the corporate officer agreement to be dated on or about the Initial Signing Date between, among others, the Issuer and the Issuer Corporate Officer Provider for the provision of an independent, U.K. resident director to the Issuer, HoldCo and ParentCo.

**"Issuer Corporate Officer Provider"** means Structured Finance Management Limited and any successors thereto.

**"Issuer Deed of Charge"** means the deed of charge dated on or about the Initial Signing Date entered into between, amongst others, the Issuer, the Issuer Note Trustee and the Issuer Security Trustee.

**"Issuer Default"** means each Issuer Event of Default or Potential Issuer Event of Default.

**"Issuer Enforcement Notice"** means a notice delivered by the Issuer Security Trustee to the Issuer in accordance with the Issuer Deed of Charge.

**"Issuer Event of Default"** means the events set out in the section entitled "*Description of Issuer Transaction Documents – Common Terms Agreement – Events of Default – Issuer Events of Default*" hereto.

**"Issuer Hedge Agreement"** means each ISDA Master Agreement entered into by the Issuer and a Hedge Counterparty in accordance with the Hedging Policy, including all Hedging Transactions forming part thereof and subject thereto.

**"Issuer Management Services Agreement"** means the agreement between each Issuer Obligor and the Issuer Management Services Provider for the provision of management services of the Group.

**"Issuer Management Services Provider"** means URSL.

**"Issuer Note Trustee"** means U.S. Bank Trustees Limited.

**"Issuer Obligor"** means each of the Issuer, ParentCo and HoldCo.

**"Issuer Obligor Charged Property"** means the property, assets, rights and undertakings of each Issuer Obligor that are the subject of the Security created in or pursuant to the Issuer Obligor Security Documents.

**"Issuer Obligor Secured Liabilities"** means all present and future obligations and liabilities (whether actual or contingent) of the Issuer Obligors to any Issuer Secured Creditor under each Issuer Transaction Document and the Securities.

**"Issuer Obligor Security"** means the security created in favour of the Issuer Security Trustee pursuant to the Issuer Obligor Security Documents.

**"Issuer Obligor Security Documents"** means:

- (a) the HoldCo Share Charge;
- (b) the ParentCo Debenture;
- (c) the Issuer Deed of Charge; and
- (d) any other Transaction Document which may be designated an Issuer Obligor Security Document.

**"Issuer Priority of Payments"** means the provisions relating to the order of priority of payments from the Issuer Accounts set out in the section entitled "*Description of the Issuer Transaction Documents – Issuer Deed of Charge – Issuer Priority of Payments*" hereto of the Issuer Deed of Charge.

**"Issuer Profit Account"** means the account designated the "Issuer Profit Account" and held in the name of the Issuer and maintained by the Account Bank pursuant to the Account Bank Agreement.

**"Issuer Profit Amount"** means £1,200 per year payable on each Interest Payment Date in semi annual instalments of £600 representing the Issuer's profit for the relevant period to be retained in the Issuer Profit Account.

**"Issuer Secured Creditors"** means:

- (a) the Issuer Security Trustee (for itself and for and on behalf of the other Issuer Secured Creditors);
- (b) the Issuer Note Trustee (for itself and for and on behalf of the Noteholders);
- (c) each Hedge Counterparty;
- (d) the Cash Administrator;
- (e) the Private Placement Noteholders;
- (f) the Account Bank;
- (g) the Monitoring Adviser;
- (h) the Issuer Corporate Officer Provider;
- (i) the Registrar, Principal Paying Agent, Agent Bank, Transfer Agent and any Calculation Agent; and
- (j) such other creditor who accedes to the Issuer Deed of Charge from time to time in accordance with the terms thereof and is designated an Issuer Secured Creditor.

**"Issuer Transaction Documents"** means:

- (a) the Notes and any Final Terms relating to the Notes;
- (b) the Note Trust Deed;
- (c) the Agency Agreement;
- (d) any Private Placement Note Documents;
- (e) the Cash Administration Agreement;
- (f) each Issuer Hedge Agreement;
- (g) each On-Loan Agreement;
- (h) the Issuer Management Services Agreement;
- (i) the Issuer Corporate Officer Agreement;

- (j) the DSRA Loan Agreement;
- (k) the Common Documents in so far as they relate to the Issuer; and
- (l) any other Transaction Document to which an Issuer Obligor is a party or any other document which may be designated an Issuer Transaction Document.

**"Kent Project Documents"** means

- (a) the agreement for grant of leases between the University of Kent and UPP (Kent Student Accommodation) Limited dated 30 October 2007;
- (b) the headlease between the University of Kent and UPP (Kent Student Accommodation) Limited dated 30 October 2007;
- (c) the underlease between the University of Kent and UPP (Kent Student Accommodation) Limited dated 7 June 2010 as amended from time to time;
- (d) the academic building agreement between the University of Kent and UPP (Kent Student Accommodation) Limited dated 30 October 2007;
- (e) the FM contract between UPP (Kent Student Accommodation) Limited and the FM Provider dated 30 October 2007;
- (f) a refinancing agreement dated on or about the date hereof relating to the bond refinancing of the student accommodation project at the University of Kent entered into between, amongst others, the UPP (Kent Student Accommodation) Limited and the University of Kent;
- (g) the management services agreement entered into between UPP (Kent Student Accommodation) Limited and the AssetCo Management Services Provider dated 30 October 2007; and
- (h) any other document entered into by UPP (Kent Student Accommodation) Limited and designated as a "Kent Project Document" by UPP (Kent Student Accommodation) Limited and the Issuer in respect of such Project,

as such may be amended by agreement between UPP (Kent Student Accommodation) Limited and the Issuer from time to time.

**"KPI"** means the key performance indicators which are used to judge the quality of service delivery.

**"Liabilities"** means, in respect of any person, any amount owing, or any losses, damages, costs, charges, awards, claims, indemnified amounts, demands, expenses, judgments, actions, proceedings (or threats of any actions or proceedings) or other liabilities whatsoever including legal fees and any Taxes, interest and penalties incurred by that person.

**"Lock-Up Event"** means each of the events set out in the section entitled *"Issuer Transaction Documents – Common Terms Agreement – Monitoring Trigger Events and back-up Events"*.

**"LPA"** means the Law of Property Act 1925.

**"MA Entrenched Right"** means matters which would have the effect of adversely changing the ranking of the claims of the Monitoring Adviser in the Issuer Priority of Payments or the ranking of the claims of the Issuer in the Operating Account Priority of Payments.

**"MA Direction Matters"** has the meaning given to it in the section entitled *"Issuer Transaction Documents – Monitoring Services Agreement – AssetCo Monitored Activities Decision Procedures"* hereto.

**"MA Proposal Request"** has the meaning given to it in the section entitled *"Issuer Transaction Documents – Monitoring Services Agreement – AssetCo Monitored Activity Decision Procedures"*.

**"Majority Creditor"** means in respect of Qualifying Issuer Secured Creditors more than 50 per cent. of the Voted Qualifying Debt.

"**Market Rent**" has the meaning given to it in the section entitled "*The AssetCos – Project Framework*".

"**Master Definitions Schedule**" means the Master Definitions Schedule found in the Common Terms Agreement.

"**Material Adverse Effect**" means a material adverse effect on:

- (a) the business, operations, property, condition (financial or otherwise) or prospects of the Group (taken as a whole) or in relation to an AssetCo, of such AssetCo;
- (b) the ability of an Obligor to perform its material obligations under any of the relevant Transaction Documents including the issue, sale or offering of any Securities; or
- (c) (subject to the Reservations) the validity or enforceability of, or effectiveness or ranking of any Security granted or purported to be granted pursuant to, any Security Document and the related rights and remedies of the Secured Creditors under any of the relevant Security Documents.

"**Material Entity**" means each University and the FM Provider (and shall also include their permitted successors and assigns).

"**Minimum Short Term Rating**" means A1 or higher by S&P and P2 or higher by Moody's or any equivalent short term rating by any Rating Agency.

"**Monetary Claims**" means any book and other debts and monetary claims owing to an AssetCo and any proceeds thereof (including any claims or sums of money deriving from or in relation to the proceeds of any Insurance Policy, any court order or judgment, any contract or agreement to which an AssetCo is a party and any other assets, property, rights or undertaking of an AssetCo or an AssetCo's right now or hereafter to recover any VAT on any supplies made to it and any sums so recovered)

"**Monitoring Adviser**" means Trifinium Advisors (UK) Limited.

"**Monitoring Adviser Recommendation**" has the meaning given to it in the section entitled "*Risk Factors – Risks relating to the Financial Structure*" hereto.

"**Monitoring Services Agreement**" means the monitoring services agreement dated on or about the Initial Signing Date between, amongst others, the Issuer, the Security Trustees, the AssetCos and the Monitoring Adviser.

"**Monitoring Standard**" has the meaning given to it in the Monitoring Services Agreement and as summarised in the section entitled "*Issuer Transaction Documents – Monitoring Services Agreement*" hereto.

"**Monitoring Trigger Event**" means each of the events set out in the section entitled "*Description of the Issuer Transaction Documents – Common Terms Agreement – Monitoring Trigger Events and Lock-Up Events*" hereto.

"**Moody's**" means Moody's Investors Services Limited or any successor to its rating business.

"**Net Cash Flow**" means in respect of any AssetCo, the net operating cash flow available after Tax, attributable to any period and determined as the:

- (a) Gross Revenues of such AssetCo minus:
  - (i) refunds of VAT which the AssetCo is obliged to pay to its customers or clients;
  - (ii) Project Expenditure arising during such period (other than expenditure paid during such period and funded from payments of compensation under the Project Documents or insurance proceeds save in respect of advance loss of profits or business interruption proceeds);
  - (iii) net transfers to the Sinking Fund Account made for such period (whether such figure is positive or negative) to fund lifecycle maintenance costs under the Sinking Fund Works Programme and in order to maintain the Sinking Fund Required Amount; and

- (iv) any amount received by an Obligor by way of (a) payment for a surrender of group relief under Part 5 of the Corporation Tax Act 2010; (b) payment in consideration of a Relevant Election (as such term is defined in the Tax Deed of Covenant) or (c) balancing payment as described in Chapter 5 of Part 4 of the Taxation (International and Other Provisions) Act 2010.

**provided that** for the purpose of calculating any forward-looking ratio:

- (A) the forecast rates of inflation will be no more than the rates determined:
- (1) in respect of the first 5 years after the relevant date on which the Net Cash Flow is stated to be calculated, the rate published by The Office of Budget Responsibility (or any successor or equivalent body) for each such year; and
  - (2) in respect of any period thereafter, by an average rate derived by averaging the rate published by the Bank of England for 10 year and 20 year inflation zero coupon yields published by the Bank of England (or, in the event that such data is not published, any equivalent published data that most closely represents a break even inflation rate) or such other recognised source as may be agreed by the Issuer.
- (B) Gross Revenues derived from payments under the Project Documents shall be determined on the basis of knowledge, fair estimates and assumptions as at the most recent Test Date after due and careful consideration and having made all reasonable enquiries to ascertain the information required to produce the projections and having received independent advice thereon, such projections being honestly held and believed by the Obligors.

"**New Asset Discount Rate**" means in respect of any Relevant AssetCo and any Test Period, the weighted average of the interest rates forecast to be applicable to the On-Loan(s) to be advanced to such Relevant AssetCo out of the proceeds of the further Securities, weighted by reference to the anticipated amounts outstanding under each such On-Loan as a proportion of the total amounts outstanding under all such On-Loans as at the start of such Test Period, taking into account any hedging arrangements forecast to be in effect during such Test Period, **provided that**, in respect of any On-Loan in respect of which the principal amount or periodic payments are linked to any inflation rate or similar index, the applicable interest rate will be the sum of the real interest rate stated to be applicable in respect of such On-Loan plus the Index Rate.

"**New Assets**" means any new university accommodation assets of an AssetCo including shares in a company owning any such asset **provided that** (i) such company accedes to the Common Documents upon equivalent terms to the Original AssetCos and subject to satisfying such conditions as the Issuer may require (ii) the assets of such Acceding AssetCo shall be deemed to be new assets for the purposes of any increase or proposed increase or raising of additional Financial Indebtedness and (iii) the acquisition of which by ParentCo is funded by a new On-Loan to such AssetCo from the Issuer from the proceeds of a further issuance of Securities, subject to satisfying the Additional Indebtedness Conditions.

"**Nominate**" means the process by which the relevant Partner University becomes responsible for the payment of rent in respect of rooms provided by an AssetCo and "**Nominates**" and "**Nominated**" shall be construed accordingly.

"**Non-Euro Regulation S Global Registered Note**" means in relation to any Regulation S Notes which are Registered Notes, such Notes which are not deposited in Euroclear or Clearstream, Luxembourg.

"**Non-Performing AssetCo**" means any AssetCo in respect of which an AssetCo Event of Default has occurred and is continuing.

"**Noteholders**" means the holders from time to time of the Notes.

"**Notes**" means the notes issued by the Issuer from time to time under the Programme.

**"Note Trust Deed"** means the trust deed dated on or about the Initial Signing Date between the Issuer and the Issuer Note Trustee.

**"Notice"** means any notice delivered under or in connection with any Transaction Document.

**"Nottingham Damage Deposit Account"** means the account designated the "Nottingham Damage Deposit Account" opened and maintained by UPP (Nottingham) Limited.

**"Nottingham Trent Project Documents"** means:

- (a) the option agreement between Nottingham Trent University and UPP (Nottingham) Limited dated 23 July 2008;
- (b) the Nottingham headlease between Nottingham Trent University, Nottingham Trent Residential Services PLC and Nottingham Trent Student Halls Limited dated 1 March 2002;
- (c) the assignment of the Nottingham headlease between Nottingham Trent Student Halls Limited and UPP (Nottingham) Limited dated 22 March 2002;
- (d) the Gill Street headlease between Nottingham Trent University and UPP (Gill Street) Limited dated 15 October 2003;
- (e) the Gill Street underlease between Nottingham Trent University and UPP (Gill Street) Limited dated 20 December 2007;
- (f) the amended and restated primary FM Agreement between Nottingham Trent University and UPP (Nottingham) Limited dated 23 July 2008;
- (g) the amended and restated FM services contract between UPP (Nottingham) Limited and the FM Provider dated 23 July 2008;
- (h) the assignment of the Gill Street headlease between UPP (Nottingham) Limited and UPP (Gill Street) Limited and UPP (Nottingham) Limited dated 23 July 2008;
- (i) the facilities management agreement between UPP (Nottingham) Limited and UPP Residential Services Limited dated 28 July 2008 as amended from time to time.
- (j) a refinancing agreement dated on or about the date hereof relating to the bond refinancing of the student accommodation project at Nottingham Trent University entered into between, amongst others, UPP (Nottingham) Limited and Nottingham Trent University;
- (k) the management services agreement entered into between UPP (Nottingham) Limited and the AssetCo Management Services Provider dated 23 July 2008; and
- (l) any other document entered into by UPP (Nottingham) Limited and designated as a "Nottingham Trent Project Document" by UPP (Nottingham) Limited and the Issuer in respect of such Project,

as such may be amended by agreement between UPP (Nottingham) Limited and the Issuer from time to time.

**"Obligor"** means each Issuer Obligor and each AssetCo and **"Obligors"** means any or all of them.

**"Obligor Security"** means the Security created pursuant to the Security Documents.

**"Occupancy"** means a room which is subject to an SRA or has been Nominated by the Partner University.

**"On-Loan Agreements"** means each on-loan agreement dated on or about the Initial Signing Date and made between the Issuer, the relevant Original AssetCo and the AssetCo Security Trustee and, subject to satisfying the Additional Indebtedness Conditions, each subsequent on-loan agreement entered into between the Issuer, any AssetCo and the AssetCo Security Trustee which expression in each case includes such facility agreement as from time to time modified or supplemented in accordance with the provisions contained therein.

"**On-Loan**" means each loan made under the On-Loan Agreements or the principal amount outstanding for the time being of such an on-loan and "**On-Loans**" means all or any such loan.

"**Operating Account**" means the account designated the "Operating Account" and held in the name of ParentCo and maintained by the Account Bank pursuant to the Account Bank Agreement.

"**Operating Account Priority of Payments**" means the provisions relating to the order of priority of payments from the Operating Account set out in the section entitled "*Description of Issuer Transaction Documents – Common Terms Agreement – Operating Account Priority of Payments*" hereto.

"**Operating Budget**" means, for each AssetCo (other than UPP (Broadgate Park) Limited), the operating budget setting out the Project Expenditure to be incurred for each quarter for the following Financial Year (including the lifecycle maintenance costs identified in the Sinking Fund Works Programme) as such budget is approved and amended from time to time in accordance with the terms of the Common Terms Agreement and subject to the Issuer Deed of Charge and the Monitoring Services Agreement.

"**Opex Account**" means each account designated an "Opex Account" and held in the name of ParentCo (on behalf of an AssetCo except in relation to UPP Broadgate Park and maintained by the Account Bank pursuant to the Account Bank Agreement.

"**Opex Required Amount**" means, in respect of each Opex Account, an amount equal to the relevant AssetCo's Budgeted Operating Expenditure falling due in the Income Period commencing on the most recently occurring Income Payment Date.

"**Ordinary Matter**" means any matter which is the subject of a MA Proposal Request other than an Expedited Matter.

"**Ordinary Resolution**" has the meaning given to it in the section entitled "*Description of Issuer Transaction Documents – Issuer Deed of Charge – Issuer Secured Creditor Voting Arrangements – Voting – Ordinary Voting Matters – Requisite Majority in respect of an Ordinary Voting Matter*" hereto.

"**Ordinary Voting Matters**" means matters which are not Discretion Matters or Extraordinary Voting Matters.

"**Outstanding Principal Amount**" means, as at any date that the same falls to be determined in accordance with the Issuer Deed of Charge:

- (a) the Principal Amount Outstanding under the Notes at such time;
- (b) the Principal Amount Outstanding under the Private Placement Notes at such time; and
- (c) in relation to any Hedging Transaction arising under a Pari Passu Issuer Hedge Agreement in respect of which an Early Termination Date (as defined in the relevant Pari Passu Issuer Hedger Agreement) has been designated, the amount (if any) outstanding to the relevant Pari Passu Hedge Counterparty following such termination as calculated in accordance with the terms of the Pari Passu Issuer Hedge Agreement, and/or (B) otherwise, the mark-to-market value of all transactions arising under a Pari Passu Issuer Hedge Agreement to which it is a party to the extent that such value represents an amount which would be payable to the relevant Pari Passu Hedge Counterparty if an Early Termination Date (as defined in the relevant Pari Passu Issuer Hedge Agreement) was designated (assuming the relevant Pari Passu Hedge Counterparty is the Non-Defaulting Party and not an Affected Party (each such term as defined in the relevant Pari Passu Issuer Hedge Agreement)) at the latest practicable time for the calculation thereof prior to the deadline for submitting its votes in respect of a particular matter (which shall be by 3pm on the Business Day prior to the last Business Day of the relevant Decision Period),

all as most recently certified or notified to the Issuer Security Trustee, where applicable, pursuant to the Issuer Deed of Charge.

"**Original AssetCos**" means the Issuer, UPP (Alcuin) Limited, UPP (Broadgate Park) Holdings Limited, UPP (Kent Student Accommodation) Limited, UPP (Nottingham) Limited, UPP (Oxford Brookes) Limited and UPP (Plymouth Three) Limited (each an "**Original AssetCo**").

**"Oxford Brookes Damage Deposit Account"** means the account designated the "Oxford Brookes Damage Deposit Account" opened and maintained by UPP (Oxford Brookes) Limited.

**"Oxford Brookes Project Documents"** means:

- (a) the project agreement between Oxford Brookes University and UPP (Oxford Brookes) Limited dated 1 June 2001;
- (b) the Oxford Brookes headlease between Oxford Brookes University and UPP (Oxford Brookes) Limited dated 3 October 2003;
- (c) the phase 1 underlease between Oxford Brookes University and UPP (Oxford Brookes) Limited dated 3 October 2003;
- (d) the phase 2 underlease between Oxford Brookes University and UPP (Oxford Brookes) Limited dated 17 May 2004;
- (e) the deed of variation of Oxford Brookes underleases between Oxford Brookes University and UPP (Oxford Brookes) Limited dated 17 April 2008;
- (f) the option agreement between Oxford Brookes University and UPP (Oxford Brookes) Limited dated 11 November 2008;
- (g) the FM services contract between the FM Provider and UPP (Oxford Brookes) Limited dated 17 April 2008 as amended from time to time;
- (h) a refinancing agreement dated on or about the date hereof relating to the bond refinancing of the student accommodation project at Oxford Brookes University entered into between, amongst others, UPP (Oxford Brookes) Limited and the Oxford Brookes University;
- (i) the management services agreement entered into between UPP (Oxford Brookes) Limited and the AssetCo Management Services Provider dated 11 November 2008; and
- (j) any other document entered into by UPP (Oxford Brookes) Limited and designated as a "Oxford Brookes Project Document" by UPP (Oxford Brookes) Limited and the Issuer in respect of such Project,

as such may be amended by agreement between UPP (Oxford Brookes) Limited and the Issuer from time to time. **"ParentCo"** means UPP Bond 1 Limited.

**"ParentCo Accounts"** means:

- (a) the Securities Proceeds Account (together with each sub account or additional Securities Proceeds Account opened with the Account Bank denominated in any currency other than pounds sterling);
- (b) the Collection Account;
- (c) the Operating Account; and
- (d) the Distribution Account,

opened with the Account Bank by ParentCo in each case with the account details specified in the Account Bank Agreement and any new accounts opened with the Account Bank and subject to the Account Bank Agreement by ParentCo on equivalent terms or as otherwise agreed with ParentCo by the Account Bank, the Issuer Security Trustee and the Issuer.

**"ParentCo Debenture"** means the debenture dated on or about the Initial Signing Date between ParentCo and the Issuer Security Trustee.

**"ParentCo Guarantee"** means the guarantee granted by ParentCo.



**"Pari Passu Issuer Hedge Agreement"** means an Issuer Hedge Agreement that ranks Pari Passu with the Issuer's obligations under the Securities.

**"Pari Passu Hedging Transaction"** means a Hedging Transaction entered into pursuant to a Pari Passu Issuer Hedge Agreement.

**"Pari Passu Hedge Counterparties"** means a Hedge Counterparty party to a Pari Passu Issuer Hedge Agreement.

**"Participating Member State"** means at any time any member state of the European Union that has adopted and uses the euro as its lawful currency in accordance with the Treaty.

**"Participating Qualifying Issuer Secured Creditors"** means the Qualifying Issuer Secured Creditors which participate in a vote on any Proposal Request or MA Proposal Request or other matter pursuant to the Issuer Deed of Charge.

**"Partner University"** means the relevant partner University of an AssetCo or other UPP Group entity, as the context may require, and **"Partner Universities"** shall be construed accordingly.

**"Paying Agents"** means, in relation to the Notes, the several institutions (including, where the context permits, the Principal Paying Agent and/or the Registrar) at their respective specified offices initially appointed as paying agents in relation to such Notes by the Issuer pursuant to the Agency Agreement and/or, if applicable, any successor paying agents at their respective specified offices in relation to the Notes.

**"Payment Date Amounts"** means revenue (if any) of an AssetCo which has been credited to the Operating Account in amounts up to (but not exceeding) such AssetCo's corresponding Payment Date Liabilities.

**"Payment Date Liabilities"** means the amounts payable by the relevant AssetCo in respect of each Swap Payment Date and Interest Payment Date prior to the next Income Payment Date of that AssetCo pursuant to the terms of its On-Loan Agreement and AssetCo Hedge Agreements. (including, for the avoidance of doubt, any such amounts expressed to be payable on a Prefunding Date).

**"Payment Terms"** means the amount, date, currency or priority of payment or the amounts payable under each On-Loan Agreement or any AssetCo Hedge Agreement or the conversion of any such indebtedness into any other form of debt, security or ownership right.

**"Performing AssetCo"** means any AssetCo that is not a Non-Performing AssetCo.

**"Permanent Global Note"** means in relation to any Bearer Note a permanent global note in the form or substantially in the form set out in the Note Trust Deed with such modifications (if any) as may be agreed between the Issuer, the Principal Paying Agent, the Issuer Note Trustee and the relevant Dealer(s), comprising some or all of the Bearer Notes, issued by the Issuer pursuant to the Dealership Agreement or any other agreement between the Issuer and the relevant Dealer(s) relating to the Programme, the Agency Agreement and the Note Trust Deed in exchange for the whole or part of any Temporary Global Note issued in respect of such Bearer Notes.

**"Permitted Acquisitions"** means:

- (a) in the case of the Obligors:
  - (i) the acquisition of cash or Cash Equivalents;
  - (ii) the subscription for or acquisition of shares by Holdco (i) in ParentCo or (ii) in an Acceding AssetCo **provided that**, subject to (iii) below, immediately upon the acquisition of such shares by HoldCo the shares in such Acceding AssetCo are exchanged with ParentCo for shares in ParentCo and HoldCo does not incur any actual or contingent liability in connection with such transaction;
  - (iii) the acquisition by ParentCo of shares in an Acceding AssetCo **provided that**:

- (A) the Additional Indebtedness Conditions have been satisfied in connection with any Financial Indebtedness raised by such Acceding AssetCo and the related Financial Indebtedness of the Issuer;
- (B) any existing Security (other than Security created under the Security Documents) over the shares in or assets of such Acceding AssetCo are released on the date of acquisition or in the case of any non-material assets within a period of six months from the date of acquisition; and
- (C) the relevant shares in, and assets of, the Acceding AssetCo are, upon acquisition, effectively charged as first ranking security under the Security Documents;
- (iv) the subscription for or acquisition from a third party of shares in its existing direct Subsidiary that is an Obligor **provided that** the relevant shares are, following such subscription or acquisition, effectively charged under the Security Documents;
- (v) any acquisition made with the prior written consent of the Issuer Security Trustee (in the case of an Issuer Obligor) or the Issuer (in the case of an AssetCo);
- (b) and in addition, in the case of the AssetCos only:
  - (i) the acquisition of any New Assets;
  - (ii) the acquisition of any assets required pursuant to Project Documents and not prohibited by the terms of any other AssetCo Documents;
  - (iii) the acquisition of any assets to the extent they are required in accordance with an Operating Budget or Sinking Fund Works Programme;
  - (iv) the acquisition of any assets to the extent they are replacement assets,

where acquired for cash or by other means with the prior consent of the Issuer.

**"Permitted Business"** means in respect of each AssetCo any business or activity or use contemplated or required by that AssetCo in connection with the relevant Project pursuant to or contemplated by the terms of the relevant Project Documents and **provided that** such business is consistent with carrying on a business of a provider of residential accommodation for the university sector and such other uses contemplated by the relevant Project Documents.

**"Permitted Disposal"** means:

- (a) in the case of each Obligor:
  - (i) any disposal made pursuant to the On-Loan Agreements;
  - (ii) any other disposal required or expressly permitted pursuant to the terms of the Transaction Documents or required pursuant to the terms of the Project Documents and not prohibited by the Transaction Documents;
  - (iii) any disposal of cash deposits made by an AssetCo with ParentCo and transferred to an Obligor in accordance with the Transaction Documents;
  - (iv) any disposal of Cash Equivalents:
    - (A) for cash; or
    - (B) in exchange for other Cash Equivalents;
  - (v) any disposal comprising any dividend or distribution not otherwise prohibited;
  - (vi) any disposal comprising a surrender of group relief under Part 5 of the Corporation Tax Act 2010 by an Obligor where such surrender is permitted by and made in accordance with the Tax Deed of Covenant;

- (b) in the case of the AssetCos only:
  - (i) any disposal at arm's length and on normal commercial terms of surplus or obsolete assets or of other assets which are promptly replaced by items or equivalents or better quality;
  - (ii) any disposal of assets having an aggregate book value or (where greater) market value not exceeding £50,000 (indexed) per annum for each AssetCo.
- (c) and in addition in the case of the Subsidiaries of UPP (Alcuin) Limited, UPP (Plymouth Three) Limited and UPP (Nottingham) Limited, a capital reduction carried out by such Subsidiaries (to the extent such reduction is deemed to be a disposal of such AssetCos shares in such Subsidiaries).

**"Permitted Financial Indebtedness"** means:

- (a) in the case of each Obligor:
  - (i) any Financial Indebtedness incurred under the Transaction Documents **provided that** following the Initial Issue Date the Additional Indebtedness Conditions are satisfied;
  - (ii) any Financial Indebtedness incurred by the Issuer for the purposes of refinancing any Financial Indebtedness outstanding under the Transaction Documents or any Securities **provided that** the creditor(s) (or secured creditor representative) has acceded to the Issuer Deed of Charge and the Common Terms Agreement and provided further that the incurrence of such Financial Indebtedness shall not result in the occurrence of a Senior DSCR Enforcement Event;
  - (iii) any Treasury Transaction permitted under the Transaction Documents and entered into pursuant to a Hedge Agreement in accordance with the Hedging Policy;
  - (iv) any Intra Group Debt;
  - (v) any Subordinated Debt;
  - (vi) any Permitted Guarantee; and
  - (vii) any Financial Indebtedness expressly permitted in writing by the Issuer in the case of an AssetCo and the Issuer Security Trustee in the case of an Issuer Obligor,
- (b) and in addition in the case of the AssetCos only:
  - (i) any Financial Indebtedness in an amount not exceeding £50,000 (indexed) per year for each AssetCo **provided that** no Security is granted in respect of such Financial Indebtedness;
  - (ii) any Financial Indebtedness for the installation of wireless internet in the relevant accommodation of each Original AssetCo using Cable Com Network in an amount in respect of all AssetCos not exceeding £1,000,000 in aggregate principal amount per annum and **provided that** such amount has been repaid by the year ending 2018.

**"Permitted Guarantee"** means in the case of each Obligor:

- (a) the AssetCo Guarantee and any guarantee arising under the Transaction Documents or any guarantee which constitutes Permitted Financial Indebtedness (other than any Intra-Group Debt or Subordinated Debt);
- (b) any guarantee comprising a netting or set-off arrangement entered into by an Issuer Obligor with an Acceptable Bank in the ordinary course of its banking arrangements;
- (c) any guarantee given in respect of cash pooling between (A) an AssetCo and (B) ParentCo;

- (d) any guarantee given by ParentCo in favour of a third party in respect of obligations of any AssetCo not exceeding £250,000 (indexed) per AssetCo in aggregate from time to time; and
- (e) any guarantee expressly permitted in writing by the Issuer Security Trustee (in the case of an Issuer Obligor) or the Issuer (in the case of an AssetCo).

**"Permitted Hedge Termination"** means in relation to a hedging transaction under a Hedge Agreement, a termination or close-out of that hedging transaction in accordance with the provisions of the Hedging Policy.

**"Permitted Loan"** means in relation to each Obligor:

- (a) each On-Loan;
- (b) each DSRA Loan;
- (c) any loan comprising Intra-Group Debt not otherwise prohibited by the terms of the Transaction Documents; and
- (d) loans made with the prior written consent of the Issuer Security Trustee (in the case of an Issuer Obligor) or the Issuer (in the case of an AssetCo).

**"Permitted Payment"** means any payment made in the ordinary course of business pursuant to arm's length contracts, **provided that** (other than in respect of payments to the FM Provider in respect of lifecycle maintenance costs and payment to the FM Provider of its fees, costs and expenses on arm's length terms pursuant to the terms of the relevant FM Services Contract) payments to all Connected Creditors shall not exceed £50,000 (indexed) per AssetCo in any Financial Year, including for the avoidance of doubt amounts payable under the Issuer Management Services Agreement and excluding, for the avoidance of doubt, each AssetCo Management Services Agreement.

**"Permitted Opex Increases"** means any increase in the amount of Budgeted Operating Expenditure for an Income Period if:

- (a) an amount equal to the cost of such increased operating expenditure is fully funded from increased student rents in accordance with the terms of the relevant Project Documents or directly or indirectly from the proceeds of additional equity subscriptions in HoldCo or Subordinated Debt; or
- (b) such increased operating expenditure is:
  - (i) less than £50,000 (indexed) per year per AssetCo and would not result in the Projected AssetCo DSCR for the relevant AssetCo falling below 1.15:1; or
  - (ii) above £50,000 (indexed) per year but is required as a result of a legal or regulatory requirement (including health and safety) binding upon the AssetCo or which the AssetCo is bound to follow in accordance with good industry practice and this would not result in the Projected AssetCo DSCR for the relevant AssetCo falling below 1.15:1; or
- (c) such amount has been approved by the Issuer,

**provided that** in each case prior to expending any such increased operating expenditure the relevant AssetCo shall certify (providing reasonable detail and evidence) to the Issuer the basis on which such increased operating expenditure is permitted.

**"Permitted Security Interest"** means in the case of each Obligor:

- (a) any Security created or evidenced by the Transaction Documents;
- (b) any Security (existing as at the Initial Signing Date) over assets of any member of the Group, **provided that** such Security is irrevocably released and discharged on the Initial Issue Date;
- (c) any Security comprising a netting, cash pooling or set off arrangement permitted under the terms of the Account Bank Agreement in the ordinary course of its banking arrangements;

- (d) any lien arising by operation of law or any lien or retention of title or purchase money arrangement arising by agreement to substantially the same effect and in the ordinary course of trading;
- (e) any netting of payments (including close-out netting) under Hedging Transactions entered into in accordance with the Hedging Policy;
- (f) in the case of an AssetCo any lien which is contested in good faith by appropriate means and is discharged within 20 Business Days; and
- (g) any Security expressly permitted in writing by the Issuer Security Trustee (in the case of an Issuer Obligor) or the Issuer (in the case of an AssetCo).

"**PGGM**" means PGGM Vermogensbaaier B.V.

"**PGGM Infrastructure**" means PGGM Infrastructure Fund 2010.

"**Plymouth Project Documents**" means:

- (a) the FM services contract between UPP (Plymouth Three) Limited and the FM Provider dated 17 April 2008 as amended from time to time;
- (b) the Radnor Hall lease between the University of Plymouth and UPP (Plymouth) Limited dated 30 October 1998;
- (c) the deed of variation to the Radnor Hall underlease between the University of Plymouth and UPP (Plymouth) Limited dated 13 March 2000;
- (d) the deed of variation to the Radnor Hall underlease between the University of Plymouth and UPP (Plymouth) Limited dated 13 December 2006;
- (e) the deed of variation to the Radnor Hall underlease between the University of Plymouth and UPP (Plymouth) Limited dated 17 April 2008;
- (f) the agreement for grant of headlease between the University of Plymouth and UPP (Plymouth Two) Limited dated 13 March 2000;
- (g) the agreement for grant of underlease between the University of Plymouth and UPP (Plymouth Two) Limited dated 13 March 2000;
- (h) the Plymouth 2 underlease between the University of Plymouth and UPP (Plymouth Two) Limited dated 28 February 2002;
- (i) the deed of variation to the Plymouth 2 underlease between the University of Plymouth and UPP (Plymouth Two) Limited dated 13 December 2006;
- (j) the deed of variation to the Plymouth 2 underlease between the University of Plymouth and UPP (Plymouth Two) Limited dated 17 April 2008;
- (k) the agreement for grant of headlease between the University of Plymouth and UPP (Plymouth Three) Limited dated 28 May 2004;
- (l) the agreement for grant of underlease between the University of Plymouth and UPP (Plymouth Three) Limited dated 28 May 2004;
- (m) the Robbins headlease between the University of Plymouth and UPP (Plymouth Three) Limited dated 11 June 2004;
- (n) the Robbins underlease between the University of Plymouth and UPP (Plymouth Three) Limited dated 11 June 2004;
- (o) the Gilwell headlease between the University of Plymouth and UPP (Plymouth Three) Limited dated 11 June 2004;

- (p) the Gilwell underlease between the University of Plymouth and UPP (Plymouth Three) Limited dated 11 June 2004;
- (q) the deed of variation to the P3 lease between the University of Plymouth and UPP (Plymouth Three) Limited dated 13 December 2006;
- (r) the agreement for grant of leases between the University of Plymouth, UPP James Square Plymouth Limited and James Square Plymouth Limited dated 13 December 2006;
- (s) the academic headlease between the University of Plymouth and James Square Plymouth Limited dated 13 December 2006;
- (t) the Residential headlease between the University of Plymouth and UPP James Square Plymouth Limited dated 13 December 2006;
- (u) the Residential underlease between the University of Plymouth and UPP James Square Plymouth Limited dated 20 October 2007;
- (v) the Mary Newman Lease between the University of Plymouth and UPP James Square Plymouth Limited dated 13 December 2006;
- (w) the deed of variation of Headlease (Robbins) between the University of Plymouth and UPP (Plymouth Three) Limited dated 13 December 2006;
- (x) the deed of variation of Headlease (Gilwell) between the University of Plymouth and UPP (Plymouth Three) Limited dated 13 December 2006;
- (y) the deed of variation of Underlease (Robbins) between the University of Plymouth and UPP (Plymouth Three) Limited dated 13 December 2006;
- (z) the deed of variation of Underlease (Robbins) between the University of Plymouth and UPP (Plymouth Three) Limited dated 13 December 2006;
- (aa) Form TR1 transferring the whole of the registered title, with full title guarantee, in Mary Newman Hall, Portland Square, Plymouth PL4 6DH (DN544828) and land at James Square, University of Plymouth, Drake Circus, Plymouth, PL4 8AA (DN544829) from UPP James Square Plymouth Limited to UPP (Plymouth Three) Limited;
- (bb) Form TR1 transferring the whole of the registered title, with full title guarantee, in the Land and buildings at Gilwell Street and Gibbon Street, Plymouth (DN475557) from UPP (Plymouth Two) Limited to UPP (Plymouth Three) Limited;
- (cc) Form TR1 transferring the whole of the registered title, with full title guarantee, in the Land and buildings at Radnor Hall of Residence, 10 Gilwell Street, Plymouth PL4 8BX (DN395153) from UPP (Plymouth) Limited to UPP (Plymouth Three) Limited;
- (dd) a refinancing agreement dated on or about the date hereof relating to the bond refinancing of the student accommodation project at the University of Plymouth entered into between, amongst others, UPP (Plymouth Three) Limited and the University of Plymouth;
- (ee) A deed of termination dated on or about the date hereof in respect of the agency agreement between UPP (Plymouth) Limited, UPP (Plymouth Two) Limited, UPP James Square Plymouth Limited, and UPP (Plymouth Three) Limited dated 17 April 2008;
- (ff) the management services agreement entered into between UPP (Plymouth Three) Limited and the AssetCo Management Services Provider dated 17 April 2008; and
- (gg) any other document entered into by UPP (Plymouth Three) Limited and designated a "Plymouth Project Document" by UPP (Plymouth Three) and the Issuer in respect of such Project,

as such may be amended by agreement between UPP (Plymouth Three) and the Issuer from time to time.

**"Potential AssetCo Event of Default"** means any event which, with the lapse of time and/or the giving of any notice and/or the making of any determination will become an AssetCo Event of Default.

**"Potential Issuer Event of Default"** means any event which, with the lapse of time and/or the giving of any notice and/or the making of any determination will become an Issuer Event of Default.

**"Prefunding Date"** means 7 Business Days prior to an Interest Payment Date.

**"Principal Amount Outstanding"** means, in relation to a Note or Private Placement Note, the original face value thereof (as adjusted for indexation, if applicable, but without double counting) less any repayment of principal made to the Noteholder(s) or Private Placement Noteholder(s) thereof in respect of such Note or Private Placement Note.

**"Private Placement Noteholders"** means the holders of the Private Placement Notes.

**"Private Placement Notes"** means any private placement notes issued by the Issuer which satisfy the Private Placement Notes Issuance Conditions.

**"Private Placement Note Documents"** means any documentation entered into by the Issuer in relation to the issuance of any Private Placement Notes.

**"Private Placement Notes Issuance Conditions"** means:

- (a) the Issuer will continue to be a "note-issuing Company" for the purposes of the Taxation of Securitisation Companies Regulation 2006;
- (b) the Issuer will continue to be a Securitisation Company (within the meaning of Regulation 4 of the Taxation of Securitisation Companies Regulation 2006) to which Regulations 14 and Regulations 16-20 of the Taxation of Securitisation Companies Regulation 2006 apply;
- (c) the issue of Private Placement Notes will not affect the ability to appoint an Administrative Receiver of any Obligor; and
- (d) any other conditions (including the provision of satisfactory legal opinions (including as to Tax matters)) as the Issuer may specify.

**"Proceedings"** means any legal proceedings relating to a Dispute.

**"Programme"** means the multicurrency senior secured note programme established by the Issuer on or about the date of the Common Terms Agreement.

**"Project"** means in respect of an AssetCo:

- (a) the management and ownership of student accommodation of such AssetCo at the relevant University campus in accordance with the terms of the relevant Project Documents; and
- (b) following any termination of an underlease (or termination of any other Project Document having equivalent effect), but without prejudice to the occurrence of any AssetCo Event of Default, any permitted alternative use in respect of the management and ownership of such accommodation facilities.

**"Project Documents"** means the Broadgate Park Project Documents, the Kent Project Documents, the Nottingham Trent Project Documents, the Oxford Brookes Project Documents, the Plymouth Project Documents, the York Project Documents and any documents designated a "Project Document" in relation to an Acceding AssetCo as the context so requires.

**"Project Agreement"** means the primary contractual document between the Partner University and the AssetCo.

**"Project Expenditure"** means in respect of any AssetCo, the following costs, expenses and fees from time to time incurred by such AssetCo (without double counting):

- (a) rent and other sums payable by such AssetCo to the relevant University under its Headlease;

- (b) any amounts expended by such AssetCo in respect of its budgeted lifecycle maintenance costs under its Sinking Fund Works Programme for the relevant period (or if budgeted lifecycle maintenance costs are not available in respect of the relevant period, the AssetCo's reasonable estimate of such lifecycle maintenance costs acting in good faith) and in respect of any historic period, actual lifecycle maintenance costs (if different);
- (c) insurance premia in respect of the insurances;
- (d) in administering such AssetCo, its business and the Project including staff costs, fees and expenses of consultants, directors, advisers, managing or letting agents and marketing costs (if any) to the extent that such costs are incurred in the ordinary course of business and on arm's length terms and the fees and expenses paid or payable (without double counting) by such AssetCo under its On Loan Agreement, to the extent not included within Senior Financing Costs;
- (e) amounts payable to the FM Provider on arm's length terms in accordance with the FM Contract and the applicable Operating Budget;
- (f) Taxes (including VAT but excluding Taxes on profits or gains of a capital nature); and
- (g) expenditure incurred in respect of leases in connection with the installation of wireless internet in the relevant accommodation of each AssetCo **provided that** such leases do not exceed Permitted Financial Indebtedness pursuant to paragraph (b)(ii) of that definition.

**"Project Framework"** means the contractual relationship between each university and the corresponding AssetCo.

**"Project Property"** means together the Broadgate Park Property, the Kent Property, the Nottingham Property, the Oxford Property, the Plymouth Property and the York Property (as each such term is defined below) or a New Asset (excluding shares in a company owning such asset).

- (a) **"Plymouth Property"** means together the following properties:
  - (i) the freehold land and buildings known as Radnor Hall of Residence, 10 Gilwell Street, Plymouth PL4 8BX being the whole of the land registered under title number DN395153;
  - (ii) the leasehold land and buildings at Gilwell Street and Gibbon Street, Plymouth being the whole of the land registered under title number DN475557;
  - (iii) the leasehold land and buildings known as Robbins Hall Gibbon Street Plymouth being the whole of the land registered under title number DN499202
  - (iv) the leasehold land and buildings known as Gilwell Hall of Residence Tavistock Place Plymouth being the whole of the land registered under title number DN499200.
  - (v) the leasehold land and buildings known as Mary Newman Hall, Portland Square, Plymouth PL4 6DH being the whole of the land registered under title number DN544828; and
  - (vi) the leasehold land at James Square, University of Plymouth, Drake Circus, Plymouth, PL4 8AA being the whole of the land registered under title number DN544829.
- (b) **"York Property"** means together the following properties:
  - (i) the leasehold land adjacent to Wentworth College, University of York, Heslington being the whole of the land registered under title number NYK261406;
  - (ii) the leasehold land and buildings known as Wentworth College (Phase 2), Wentworth Way, Heslington, York being the whole of the land registered under title number NYK283654;
  - (iii) the leasehold land and buildings known as Halifax Court, Garrowby Way, Heslington York being the whole of the land registered under title number NKY264009; and



- (iv) the leasehold land and buildings known as Blocks E, F, G, H and J Alcuin College, Heslington, York being the whole of the land registered under title number NYK344922.
- (c) **"Kent Property"** means together the following properties:
- (i) the leasehold land and buildings known as Darwin Field, University of Kent at Canterbury, Canterbury being the whole of the land registered under title number K931827; and
  - (ii) the leasehold land known as Plant Room, Woolf College, University of Kent, Canterbury being the whole of the land registered under title number K931828.
- (d) **"Oxford Property"** means the leasehold land and buildings known as Cheney Halls, Oxford, OX3 0BD being the whole of the land registered under title number ON243898.
- (e) **"Broadgate Park Property"** means the UPP Broadgate Park Property
- (i) **"UPP Broadgate Park Property"** means together the following properties:
    - (A) the leasehold land and buildings on the North West side of Albion Street, Beeston being the whole of the land registered under title number NT384868;
    - (B) the leasehold land and buildings on the South side of Woodside Road, Beeston being the whole of the land registered under title number NT384867;
    - (C) the leasehold land and buildings known as Cloister House, Cloister, Street, Nottingham, NG7 2PG being the whole of the land registered under title number NT383032;
    - (D) the leasehold land and buildings known as Cloister House, Cloister Street, Nottingham, NG7 2PG and land on the south west side of Cloister Street, Nottingham being the whole of the land and buildings registered under title number NT384675;
    - (E) the leasehold land and buildings on the south side of Woodside Road, Beeston being the whole of the land and buildings registered under title number NT386902;
    - (F) the leasehold land and buildings on the north west side of Albion Street, Beeston being the whole of the land and buildings registered under title number NT386903;
    - (G) the leasehold land known as Phase 2, Broadgate Park, Woodside Road, Beeston, Nottingham being the whole of the land registered under title number NT462944;
    - (H) the leasehold land known as Phase 1, Broadgate Park, Woodside Road, Beeston, Nottingham being the whole of the land registered under title number NT462945; and
    - (I) the leasehold land known as Phase 1, Sites 2 and 3, Broadgate Park, Salthouse Lane, Beeston, Nottingham being the whole of the land registered under title number NT462946.
- (f) **"NTU Property"** means the UPP (Nottingham) Limited Property
- (i) **"UPP (Nottingham) Limited Property"** means together the following properties:
    - (A) the leasehold land and buildings on the North side of Gill Street, Nottingham being the whole of the land registered under title number NT389071
    - (B) the leasehold land and buildings known as Simsons, Park Street, Nottingham, NG7 1RR being the whole of the land registered under title number NT370233;

- (C) the leasehold land and buildings known as The Maltings, Whitemoor Road, Nottingham, NG6 0HN being the whole of the land registered under title number NT370232;
- (D) the leasehold land and buildings known as Wilton House and Dorking House, Norton Court, Wilton Road, Nottingham, NG7 5PQ being the whole of the land registered under title number NT370224;
- (E) the leasehold land and buildings known as Peverell Hall, Clifton Campus, Clifton Lane, Nottingham, NG11 8NS being the whole of the land registered under title number NT370228;
- (F) the leasehold land and buildings known as Sandby Hall, Hampden Street, Nottingham, NG1 4FW being the whole of the land registered under title number NT370230;
- (G) the leasehold land and buildings known as Meridian Court, Quorn Road, NG5 1DT being the whole of the land registered under title number NT370227;
- (H) the leasehold land and buildings known as Blenheim Hall, St Ann's Hill, Nottingham being the whole of the land registered under title number NT370299; and
- (I) the leasehold land and buildings known as 1 to 28 Hampden Street Flats, Hampden Street, Nottingham, NG1 4FF being the whole of the land registered under title number NT370229.

**"Projected AssetCo DSCR"** means, in respect of any AssetCo as at any Test Date, the ratio of:

- (a) the aggregated Net Cash Flow in respect of such AssetCo projected for the Test Period immediately following such Test Date; to
- (b) the AssetCo Debt Service Requirement of such AssetCo projected for the Test Period immediately following such Test Date.

**"Projected Relevant AssetCo DSCR"** means, in respect of any Relevant AssetCo as at any Test Date, the ratio of:

- (a) the Net Cash Flow in respect of such Relevant AssetCo attributable to the New Asset projected for the 12 month period immediately following such Test Date; to
- (b) the AssetCo Debt Service Requirement of such Relevant AssetCo in respect of the On-Loan to be advanced to such Relevant AssetCo for the purposes of the acquisition of the New Asset projected for the 12 month period immediately following such Test Date.

**"Projected Senior DSCR"** means, as at any Test Date, the ratio of:

- (a) the aggregated Net Cash Flow in respect of all AssetCos projected for the Test Period immediately following such Test Date; to
- (b) the aggregated AssetCo Debt Service Requirement in respect of all AssetCos projected for the Test Period immediately following such Test Date.

**"Projects"** means each or all of the six student accommodation projects of the AssetCos as the context so requires.

**"Proposal Request"** has the meaning given to it in the section entitled "*Description of Issuer Transaction Documents – Issuer Deed of Charge – Issuer Secured Creditor Voluntary Arrangements – Modifications, Consents and Clauses – Proposal Requests*" hereto.

**"Pro Rata Share"** means for any Test Date in respect of any Relevant AssetCo, the proportion which (i) the aggregate amount of Senior Financing Costs and Senior Financing Principal scheduled to be payable during the six months immediately following such Test Date in respect of the On-Loan(s) advanced to

such Relevant AssetCo which are attributable to the New Asset bears to (ii) the total aggregate amount of Senior Financing Costs and Senior Financing Principal forecast to be payable on all On-Loans to all AssetCos during such six month period.

"**Prospectus Directive**" means Directive 2003/71/EC, as amended.

"**Qualifying Issuer Secured Creditor**" means each Issuer Secured Creditor to which Qualifying Issuer Senior Debt is owed, acting through its Secured Creditor Representative.

"**Qualifying Issuer Senior Debt**" means, subject to the Issuer Deed of Charge:

- (a) the Principal Amount Outstanding under the Notes at such time;
- (b) the Principal Amount Outstanding under the Private Placement Notes at such time;
- (c) only (i) in relation to any vote by the Qualifying Issuer Secured Creditors on whether to take Enforcement Action and (ii) following the taking of Enforcement Action (**provided that**, for the avoidance of doubt, Entrenched Rights will apply at all times), a tranche for each *Pari Passu* Issuer Hedge Counterparty equal to (A) in relation to any Hedging Transaction arising under a *Pari Passu* Issuer Hedge Agreement in respect of which an Early Termination Date (as defined in the relevant *Pari Passu* Issuer Hedge Agreement) has been designated, the amount (if any) outstanding to the relevant *Pari Passu* Hedge Counterparty following such termination as calculated in accordance with the terms of the *Pari Passu* Issuer Hedge Agreement, and/or (B) otherwise, the mark-to-market value of all transactions arising under a *Pari Passu* Issuer Hedge Agreement to which it is a party to the extent that such value represents an amount which would be payable to the relevant *Pari Passu* Hedge Counterparty if an Early Termination Date (as defined in the relevant *Pari Passu* Issuer Hedge Agreement) was designated (assuming the relevant *Pari Passu* Hedge Counterparty is the Non-Defaulting Party and not an Affected Party (each such term as defined in the relevant *Pari Passu* Issuer Hedge Agreement)) at the latest practicable time for the calculation thereof prior to the deadline for submitting its votes in respect of a particular matter (which shall be by 3pm on the Business Day prior to the last Business Day of the relevant Decision Period).
- (d) For the avoidance of doubt no Hedge Counterparty in its capacity as party to a Super Senior Issuer Hedging Agreement shall have any voting rights other than in respect of its Entrenched Rights.

"**Quorum Requirement**" means the required quorum in respect of voting matters, being one or more Participating Qualifying Issuer Secured Creditors representing in aggregate at least the specified percentage (where applicable) of the entire Outstanding Principal Amount of all Qualifying Issuer Senior Debt, where the specified percentages are set out in the section entitled "*Description of Issuer Transaction Documents – Issuer Deed of Charge – Issuer Secured Creditor Voluntary Arrangements*".

"**Rating Agencies**" means Moody's, S&P, and if then rating the Securities, Fitch and "**Rating Agency**" means any of them.

"**Ratings Confirmation**" in respect of a proposed action means: (a) a confirmation by the relevant Rating Agencies, in respect of the relevant Securities, to the effect that the then ratings on the Securities would not be reduced below the lower of (i) the credit ratings of such Securities on or immediately after the Initial Issue Date or (ii) the then current credit ratings (before the proposed action); or (b) a written confirmation from a relevant Rating Agency to the effect that it will not issue the confirmation contemplated in (a) because the proposed action in respect of which the confirmation sought is not a "credit matter" (or words substantially to that effect).

"**Real Property**" means:

- (a) any freehold, leasehold or immovable property; and
- (b) any buildings, fixtures, fittings, fixed plant or machinery from time to time, situated on or forming part of such freehold or leasehold property,

of an AssetCo and includes all its Related Rights.

**"Receipts"** means a receipt attached to a Definitive Note redeemable in instalments for the payment of an instalment of principal and includes any replacements for Receipts and Talons issued pursuant to the Conditions.

**"Receiver"** means any receiver, manager, receiver and manager or administrative receiver who (in the case of an administrative receiver) is a qualified person in accordance with the Insolvency Act and who is appointed:

- (a) by the AssetCo Security Trustee under the AssetCo Security Documents in respect of the whole or any part of the AssetCo Security; or
- (b) by the Issuer Security Trustee under the Issuer Obligor Security Documents in respect of the whole or any part of the Issuer Obligor Security.

**"Register"** has the meaning given to it in the section entitled "*Terms and Conditions of the Notes – Form, Denomination and Title – Title*" hereto.

**"Registered Notes"** means those Notes which are for the time being in registered form.

**"Registrar"** means Elavan Financial Services Limited.

**"Regulation S"** means Regulation S adopted by the SEC under the Securities Act.

**"Regulation S Global Note Certificates"** means Euro Regulation S Global Registered Note Certificates and Non-Euro Regulation S Global Registered Note Certificates.

**"Regulation S Notes"** means Notes sold outside the United States of America pursuant to and in compliance with Regulation S.

**"Regulatory Direction"** means, in relation to any person, a direction or requirement of any Governmental Authority with whose directions or requirements such person is accustomed to comply.

**"Related AssetCo Hedging Transaction"** means, in respect of any Hedging Transaction, the AssetCo Hedging Transaction identified as such in the Confirmation for that Hedging Transaction (as advised by the Issuer to the Hedge Counterparty for that purpose).

**"Related On-Loan"** means, in respect of any Hedging Transaction, each On-Loan identified as such in the Confirmation for that Hedging Transaction (as advised by the Issuer to the Hedge Counterparty for that purpose).

**"Related Rights"** means, in relation to any asset,

- (a) the proceeds of sale of any part of that asset;
- (b) all rights under any licence, agreement for sale or agreement for lease in respect of that asset;
- (c) all rights, benefits, claims, contracts, warranties, remedies, security, indemnities or covenants for title in respect of that asset; and
- (d) any monies and proceeds paid or payable in respect of that asset.

**"Relevant AssetCo"** means any Original AssetCo (or AssetCo which has previously acceded as an Acceding AssetCo) or prospective Acceding AssetCo whose interest or ownership rights in relation to the acquisition of a New Asset will be funded directly or indirectly from advance(s) made by the Issuer under an On-Loan and, if applicable, directly or indirectly from either the proceeds of Subordinated Debt or additional equity subscribed for in HoldCo.

**"Relevant AssetCo Debt Life Coverage Ratio"** means in respect of any Relevant AssetCo, the ratio, calculated as at the Test Date next following the date on which an On-Loan is to be advanced to such Relevant AssetCo for the purposes of acquisition of a New Asset of:

- (a) the aggregate of:

- (i) the forecast Available Discounted Cashflow of such Relevant AssetCo attributable to the New Asset; and
- (ii) its Pro Rata Share of the amount standing to the credit of the Debt Service Reserve Account (after taking account of additional funding of such account in respect of the further Securities issued to fund the relevant On-Loan) as at such Test Date; and
- (iii) the proportionate share of the amount standing to the credit of its Opex Account (after taking account of additional amounts credited to its Opex Account attributable to the New Asset) as at such Test Date, where proportionate share means the proportion that the relevant On-Loan bears to the total On-Loans of that Relevant AssetCo);

to:

- (b) the principal amount of the On-Loan to be advanced to such Relevant AssetCo out of the proceeds of the further issuance of Securities and forecast to be outstanding on such Test Date.

"**Relevant Properties**" has the meaning given to it in the Monitoring Services Agreement.

"**Relevant Proportion**" means:

- (a) in the case of fixed rate On-Loans, the proportion that the principal amount of such fixed rate On-Loans of the relevant AssetCo bears to the aggregate principal amount of On-Loans of all AssetCos with a corresponding fixed rate of interest;
- (b) in the case of index-linked On-Loans, the proportion that the principal amount of index-linked On-Loans of the relevant AssetCo bears to the aggregate principal amount of On-Loans of all AssetCos with corresponding index-linked payment obligations; and
- (c) in the case of any On-Loans with any other payment terms, the proportion that the principal amount of On-Loans of the relevant AssetCo with such payment terms bears to the aggregate principal amount of On-Loans with corresponding payment terms of all AssetCos,

before taking into account any amount due to be paid under the On-Loan Agreement on the date of such calculation.

"**Repayment Account**" means the account designated the "Repayment Account" and held in the name of the Issuer and maintained by the Account Bank pursuant to the Account Bank Agreement.

"**Required Filings**" means the registration of the Security Documents including the registration of a correctly completed Form MG01 and an original executed copy of each of the registerable Transaction Documents with the Registrar of Companies.

"**Requirement of Law**" in respect of any person shall mean:

- (a) any law, treaty, rule, requirement or regulation;
- (b) a notice by or an order of any court having jurisdiction;
- (c) a mandatory requirement of any regulatory authority having jurisdiction; or
- (d) a determination of an arbitrator or Governmental Authority,

in each case applicable to or binding upon that person or to which that person is subject or with which it is customary for it to comply.

"**Requisite Swap Counterparty Rating**" means a minimum rating of Baa3 (from Moody's) and BBB- (from S&P) or such other ratings as may be agreed with the Rating Agencies from time to time in relation to a Hedge Counterparty or any entity which guarantees the obligations of a Hedge Counterparty, in the case of Hedge Counterparty which relies on such guarantee to satisfy the minimum rating.

"**Reservations**" means:

- (a) the principle that equitable remedies are remedies which may be granted or refused at the discretion of the court, the limitation of enforcement by laws relating to bankruptcy, insolvency, liquidation, reorganisation, court schemes, moratoria, administration and other laws generally affecting the rights of creditors;
- (b) the time barring of claims under applicable limitation laws (including the Limitation Act 1980), the possibility that an undertaking to assume liability for or to indemnify a person against non payment of stamp duty may be void, defences of set off or counterclaim; and
- (c) any other general principles under the laws of any relevant jurisdiction which are set out as qualifications as to matters of law in the legal opinions delivered to the Issuer Security Trustee.

**"Reserved Matters"** means the matters set out in the section entitled "*Description of Issuer Transaction Documents – Issuer Deed of Charge – Issuer Secured Creditor Voting Arrangements – Modifications, Consents and Waivers – Reserved Matters of Issuer Secured Creditors*" hereto.

**"Revenue Swap"** means any Index-Linked Hedging Transaction pursuant to which payments are calculated by reference to the debt service obligations of the Issuer in respect of Securities which are not Indexed Notes.

**"Risk Weighted Notional Amount"** means, on any date, an amount equal to the sum of the following:

- (a) the aggregate mark-to-market value of all outstanding Super Senior Hedging Transactions on that date; and
- (b) in respect of each proposed new Revenue Swap which would be a Super Senior Hedging Transaction to be entered into on that date, the product of:
  - (i) five; and
  - (ii) an amount equal to the average of the annual nominal debt service obligations in respect of the Securities which are to be hedged by such proposed Revenue Swap.

**"RPI"** means Retail Price Index.

**"S&P"** means Standard & Poor's Credit Market Services Limited or any successor to its rating business.

**"SC Instruction Notice"** has the meaning given to it in the section entitled "*Description of Issuer Transaction Documents – Issuer Deed of Charge – Issuer Secured Creditor Voting Arrangements – Qualifying Issuer Secured Creditor Instructions*" hereto.

**"Secured Creditors"** means the AssetCo Secured Creditors and Issuer Secured Creditors.

**"Secured Creditor Representative"** means the representative of an Issuer Secured Creditor appointed in accordance with the Issuer Deed of Charge.

**"Securities"** means the Notes and the Private Placement Notes.

**"Securities Act"** means the United States Securities Act of 1933, as amended.

**"Securities Proceeds Account"** means the account designated the "Securities Proceeds Account" and held in the name of ParentCo (on behalf of the Issuer) and maintained by the Account Bank pursuant to the Account Bank Agreement.

**"Security"** means any mortgage, pledge, lien, charge (fixed or floating), assignment, hypothecation, set-off or trust arrangement for the purpose of creating security, reservation of title or security or any other agreement or arrangement -having a substantially similar effect (and "**secured**" shall be construed accordingly).

**"Security Documents"** means:

- (a) each Issuer Obligor Security Document;
- (b) each AssetCo Security Document; and
- (c) the UPP (Broadgate Park) Limited Debenture.

"**Security Trustee**" means the Issuer Security Trustee or the AssetCo Security Trustee as the case may be and "**Security Trustees**" means both of them.

"**Senior DSCR Enforcement Event**" means the event set out in the section entitled "Issuer Transaction Documents – Common Terms Agreement – Senior DSCR Enforcement Event".

"**Senior DSCR Enforcement Notice**" has the meaning given to it in the section entitled "Issuer Transaction Documents – Common Terms Agreement – Enforcement Covenants".

"**Senior Financing Costs**" means, for any period, the aggregate of:

- (a) amounts in the nature of interest payable by the Issuer in respect of the Securities or, in the case of an AssetCo, under its On-Loan Agreement, and amounts (other than amounts payable in respect of the termination of any Hedge Agreement) payable under each Hedge Agreement to which the Issuer or such AssetCo as the case may be is a party; and
- (b) all arrangement, commitment, agency and other fees and expenses paid or payable by the Issuer in respect of the Securities or, in the case of an AssetCo, under its On-Loan Agreement or under any Hedge Agreement to which the Issuer or such AssetCo as the case may be is party,

paid or payable (but without double counting) during that period.

"**Senior Financing Principal**" means amounts in the nature of principal paid or payable (but without double counting) by the Issuer in respect of the Securities or, in the case of an AssetCo, under its On-Loan Agreement or amounts payable in respect of the termination of any Hedge Agreement to which it is a party in the relevant period.

"**Series**" means a series of Securities issued under the Programme, together with any Tranche or Tranches of Securities which are expressed to be consolidated and form a single Series with any Series.

"**Sinking Fund Account**" means each account designated as a "Sinking Fund Account" and held in the name of ParentCo (on behalf of each AssetCo other than UPP Broadgate Park) and maintained by the Account Bank pursuant to the Account Bank Agreement.

"**Sinking Fund Required Amount**" means on each Test Date the aggregate of:

- (a) 100 per cent. of the Sinking Fund Works Programme forecast to be incurred by the relevant AssetCo over the six month period immediately following that Test Date;
- (b) 100 per cent. of the Sinking Fund Works Programme forecast to be incurred by the relevant AssetCo over the six month period immediately following the period referred to in paragraph (a) above;
- (c) 66 per cent. of the Sinking Fund Works Programme forecast to be incurred by the relevant AssetCo over the six month period immediately following the period referred to in paragraph (b) above;
- (d) 66 per cent. of the Sinking Fund Works Programme forecast to be incurred by the relevant AssetCo over the six month period immediately following the period referred to in paragraph (c) above;
- (e) 33 per cent. of the Sinking Fund Works Programme forecast to be incurred by the relevant AssetCo over the six month period immediately following the period referred to in paragraph (d) above; and

- (f) 33 per cent. of the Sinking Fund Works Programme forecast to be incurred by the relevant AssetCo over the six month period immediately following the period referred to in paragraph (e) above.

**"Sinking Funds Works Programme"** means the programme agreed by an AssetCo and the FM Provider for the carrying out of sinking fund works.

**"Specified Office"** means, in relation to any Agent, either the office identified with its name in the relevant Final Terms or any other office notified to any relevant parties pursuant to the Agency Agreement.

**"Sponsor"** means UPP Group Limited.

**"SRA"** means a licence agreement, occupational agreement or other arrangement pursuant to which a student or other occupier occupies a room.

**"Steps Paper"** means the corporate steps paper in the agreed form prepared by Grant Thornton UK LLP.

**"Stock Exchange"** means the Irish Stock Exchange or any other or further stock exchange(s) on which any Securities may from time to time be listed, and references to the **"relevant Stock Exchange"** shall, in relation to any Securities, be references to the Stock Exchange on which such Securities are, from time to time, or are intended to be, listed.

**"Subordinated Debt"** means any Financial Indebtedness **provided that:**

- (a) such Financial Indebtedness has been incurred by HoldCo (including pursuant to loan notes issued under Subordinated Note Instrument);
- (b) any payment made under, or with respect to, such Financial Indebtedness is funded solely out of any Distributions; and
- (c) the creditor in respect of such Financial Indebtedness is not a direct creditor in respect of such subordinated debt of any member of the Group (other than HoldCo).

**"Subordinated Note Instrument"** means the loan note instrument to be executed by HoldCo at the Initial Signing Date under which HoldCo will constitute subordinated loan notes.

**"Subsidiary"** means:

- (a) a subsidiary within the meaning of section 1159 (and Schedule 6) of the Companies Act 2006;
- (b) a **"subsidiary undertaking"** within the meaning of section 1162 (and Schedule 7) of the Companies Act 2006;
- (c) an entity of which a person has direct or indirect control or owns directly or indirectly more than 50 per cent. of the voting capital or similar right of ownership and control for this purpose means the power to direct the management and the policies of the entity whether through the ownership of voting capital, by contract or otherwise;
- (d) an entity treated as a subsidiary in the financial statements of any person pursuant to the Accounting Standards; or
- (e) an entity of which a person has the direct or indirect power to direct the management and the policies, whether through the ownership of voting capital or partnership interests, by contract or otherwise.

**"Super Senior Issuer Hedging Agreement"** means an Issuer Hedge Agreement that ranks in priority to the Issuer's obligations under the Securities.

**"Super Senior Hedging Transaction"** means a Hedging Transaction entered into pursuant to a Super Senior Issuer Hedging Agreement.



**"Surplus Cash"** means:

- (a) amounts credited or to be credited in respect of any relevant period to the Operating Account (after crediting or deducting (as applicable), in the case of a Performing AssetCo, the Opex Accounts with the Opex Required Amount) in respect of the revenue of an AssetCo to the extent that such amounts exceed such AssetCo's Payment Date Liabilities falling due in such period; and
- (b) in respect of any Non-Performing AssetCo, including (in addition to the amount specified in (a) above) amounts credited, or to be credited in respect of any relevant period, of the relevant AssetCo's Sinking Fund Account and Opex Account, **provided that** with respect to the Guaranteed Obligations of a Non-Performing AssetCo pursuant to its AssetCo Guarantee, the liabilities of, and recourse to, such Non-Performing AssetCo shall extend to all of its rights, property and other assets and all amounts representing the proceeds thereof.

**"Swap Collateral"** means any swap collateral provided to the Issuer in respect of the obligations of a relevant Hedge Counterparty.

**"Swap Payment Date"** means each date on which payment is due under the terms of the applicable Hedge Agreement.

**"Talons"** means the talons (if any) appertaining to, and exchangeable in accordance with the provisions therein contained for further Coupons appertaining to, the Definitive Notes (other than Zero Coupon Notes), such talons being in the form or substantially in the form set out in the Note Trust Deed or in such other form as may be agreed between the Issuer, Principal Paying Agent, the Issuer Note Trustee and the relevant Dealer(s) and includes any replacements for Talons issued.

**"Tangible Moveable Property"** means any plant, machinery, office equipment, computers, vehicles and other chattels on an AssetCo's Real Property and includes all its Related Rights.

**"TARGET2"** means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007.

**"TARGET Settlement Day"** means any day on which TARGET2 is open for the settlement of payments in euro;

**"Tax"** includes any present or future tax, levy, impost, duty, charge, fee, deduction or withholding of any nature whatsoever (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same) imposed or levied by or on behalf of any Tax Authority and "Taxes", "taxation", "taxable" and comparable expressions shall be construed accordingly.

**"Tax Authority"** means any government, state or municipality or any local, state, federal or other authority, body or official anywhere in the world exercising a fiscal, revenue, customs or excise function (including Her Majesty's Revenue and Customs).

**"Tax Deed of Covenant"** means the deed to be entered into on or about the Initial Signing Date by (among others) the AssetCos, ParentCo, HoldCo, the Issuer, the Issuer Security Trustee and the Issuer Note Trustee.

**"Temporary Global Note"** means in relation to any Tranche of Bearer Notes a temporary global note in the form or substantially in the form set out in the Note Trust Deed together with the copy of the applicable Final Terms annexed thereto, with such modifications (if any) as may be agreed between the Issuer, the Principal Paying Agent, the Issuer Note Trustee and the relevant Dealer(s), comprising some or all of the Bearer Notes of the same Tranche, issued by the Issuer relating to the Programme, the Agency Agreement and the Note Trust Deed.

**"Test Date"** means 28 February and 31 August of each Financial Year commencing on 31 August 2013.

**"Test Period"** means each projected financial ratio calculation period from (and including) a Test Date to the date falling 12 months thereafter or in respect of any historic financial ratio calculation, the 12 month period ending on and including a Test Date.

"**Tranche**" means all Notes which are identical in all respects (save for the Issue Date, Interest Commencement Date and Issue Price).

"**Transaction Documents**" means the Issuer Transaction Documents, the Common Documents, the AssetCo Documents and the Project Documents **provided that** for the purposes of the Common Terms Agreement the Common Terms shall not apply to any Project Documents unless expressly incorporated therein but, for the avoidance of doubt, references to the Transaction Documents shall include the Project Documents in any representation, warranty, covenant, Event of Default or similar concept applicable to an AssetCo.

"**Transaction Party**" means any person who is a party to a Transaction Document and "Transaction Parties" means any or all of them.

"**Transfer Agent**" means Elavon Financial Services Limited, U.K. Branch, as transfer agent under the Agency Agreement and any other entity appointed as transfer agent under the Agency Agreement.

"**Treaty**" means the Treaty on the Functioning of the European Union;

"**Treasury Transaction**" means any currency or interest rate purchase, cap or collar agreement, forward rate agreement, interest rate agreement, index-linked agreement, interest rate or currency or future or option contract, foreign exchange or currency purchase or sale agreement, interest rate swap, currency swap, basis rate swap or combined similar agreement or any derivative transaction protecting against or benefiting from fluctuations in any rate or price.

"**Trigger Event**" means each of the events set out in the Common Terms Agreement.

"**Trigger Level 1, Phase 1**" means the event set out in the section entitled "*Description of Issuer Transaction Documents – Common Terms Agreement – Mandatory Trigger Events and Lock-Up Events*" hereto.

"**Trigger Level 1, Phase 2**" means the event set out in the section entitled "*Description of Issuer Transaction Documents – Common Terms Agreement – Mandatory Trigger Events and Lock-Up Events*" hereto.

"**Trigger Level 2, Phase 1**" means the event set out in the section entitled "*Description of Issuer Transaction Documents – Common Terms Agreement – Mandatory Trigger Events and Lock-Up Events*" hereto.

"**Trigger Level 2, Phase 2**" means the event set out in the section entitled "*Description of Issuer Transaction Documents – Common Terms Agreement – Mandatory Trigger Events and Lock-Up Events*" hereto.

"**Trust Documents**" means the Note Trust Deed, the Issuer Deed of Charge and any deed or other document executed in accordance with the Note Trust Deed or the Issuer Deed of Charge and expressed to be supplemental to the Note Trust Deed or the Issuer Deed of Charge (as applicable).

"**Trustees**" means the Issuer Note Trustee and the Security Trustees, each of which is a "**Trustee**".

"**UCAS**" means the Universities and Colleges Admissions Service.

"**UAFL**" means UPP Asset Finance Limited.

"**UGL**" means UPP Group Limited.

"**UPL**" means UPP Projects Limited.

"**UPP**" means UPP Group Holdings Limited and its subsidiaries.

"**UPP Broadgate Park**" means UPP (Broadgate Park) Holdings Limited.

"**UPP Group**" means UPP Group Holdings Limited and its subsidiaries.

"**URSL**" means UPP Residential Services Limited.

"**Unavailable**" has the meaning given to it in the section entitled "*The AssetCos – Project Framework – General Terms Applicable to all Projects*" and "**Availability**" shall be construed accordingly.

"**University**" means

- (a) the University of Kent, the University of Nottingham, Nottingham Trent University, Oxford Brookes University, the University of Plymouth and the University of York as the context so requires; and
- (b) in the case of any Acceding AssetCo or New Asset, the university in respect of such Acceding AssetCo or New Asset which is a party to the relevant Project Documents relating thereto.

"**University Direct Agreement**" means the direct agreement in favour of the Issuer between the AssetCo and its corresponding University and the Issuer.

"**University Mission Group**" means those collections of higher education institutions that organise together along shared missions and goals to influence public policy including (i) "**The Russell Group**" representing 24 UK universities including the University of Oxford, Imperial College London, University of Cambridge, University of Nottingham and the University of York, (ii) the "**1994 Group**", a collection of smaller, research-intensive universities including Lancaster University, the University of Sussex, the University of Leicester and Loughborough University, (iii) the "**University Alliance**" a mission group representing the collective interests of 24 large new universities including DeMontfort University, Nottingham Trent University, Plymouth University, Oxford Brookes University and the University of the West of England, and (iv) "**Million+**", (formerly known as the Campaign for Mainstream Universities) a working group of 28 British universities incorporated since 1992 and university colleges including Middlesex University, University of Derby, University of Greenwich and Birmingham City University.

"**VAT**" means value added tax imposed by VATA and legislation and regulations supplemental thereto and includes any other tax of a similar fiscal nature whether imposed in the United Kingdom (instead of or in addition to value added tax) or elsewhere from time to time.

"**VATA**" means the Value Added Tax Act 1994.

"**VAT Group**" means a group for the purposes of the VAT Grouping Legislation.

"**VAT Grouping Legislation**" means (a) sections 43 to 43D (inclusive) of VATA, (b) the Value Added Tax (Groups: eligibility) Order 2004 (SI 2004/1931), and (c) any similar provisions relating to VAT outside the United Kingdom.

"**Voted Qualifying Debt**" means the Participating Qualifying Issuer Secured Creditors voting on a pound for pound basis by reference to the Outstanding Principal Amount owed at the relevant time to the relevant Participating Qualifying Issuer Secured Creditors.

"**York Project Documents**" means the:

- (a) agreement for headlease and underlease in relation to the Alcuin Hall of Residence between the University of York and UPP (Alcuin) Limited dated 7 September 2007;
- (b) lease relating to 304 student bedrooms and ancillary accommodation at Blocks E, F, G, H & J Alcuin College between the University of York and UPP (Alcuin) Limited dated 7 September 2007;
- (c) underlease of blocks E, F, G, H & J Alcuin College between the University of York and UPP (Alcuin) Limited dated 7 September 2007;
- (d) phase I sublease relating to Wentworth College between UPP (York) Limited and the University of York dated 7 September 2007;
- (e) phase II sublease relating to Wentworth College between UPP (York) Limited and the University of York dated 7 September 2007;
- (f) Halifax sublease between UPP (York) Limited and the University of York dated 2001;

- (g) sub-underlease relating to land next to Halifax Court between UPP (York) Limited and the University of York dated 7 September 2007;
- (h) option relating to the Grant of a Reversionary lease of Halifax and Wentworth Halls between the University of York and UPP (Alcuin) Limited dated 7 September 2007;
- (i) deed of variation relating to Halifax and Wentworth Halls between UPP (York) Limited and the University of York dated 7 September 2007;
- (j) deed for varying the rent payable under underleases of student accommodation at Wentworth, Halifax and Alcuin Colleges between UPP, (York) Limited and the University of York dated 7 September 2007;
- (k) Wentworth phase 1 headlease between UPP (York) Limited and the University of York dated 2001;
- (l) Wentworth phase 2 headlease between UPP (York) Limited and the University of York dated 2002; and
- (m) facilities management agreement between UPP (Alcuin) Limited and the FM Provider dated 7 September 2007 as amended from time to time.
- (n) Form TR1 transferring the whole of the registered title, with full title guarantee, in:
  - (i) land adjacent to Wentworth College, University of York, Heslington (NYK261406);
  - (ii) land and buildings known as Wentworth College (Phase 2), Wentworth Way, Heslington, York (NYK283654);
  - (iii) land and buildings known as Halifax Court, Garrowby Way, Heslington York) (NKY264009);
 from UPP (York) Limited to UPP (Alcuin) Limited;
- (o) a refinancing agreement dated on or about the date hereof relating to the bond refinancing of the student accommodation project at the University of York, entered into between, amongst others, UPP (Alcuin) Limited and the University of York;
- (p) the management services agreement entered into between UPP (Alcuin) Limited and the AssetCo Management Services Provider dated 7 September 2007; and
- (q) any other document entered into by UPP (Alcuin) Limited and designated as a "York Project Document" by UPP (Alcuin) Limited and the Issuer in respect of such Project,

as such maybe amended by agreement between UPP (York) Limited and the Issuer from time to time.

**"Zero Coupon Note"** means a Note specified as such in the relevant Final Terms and on which no interest is payable.

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**UPP (Alcuin) Limited  
Report and financial statements  
For the year ended 31 August 2012**

# UPP (Alcuin) Limited

## Report and financial statements

### for the year ended 31 August 2012

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# UPP (Alcuin) Limited Directors and advisors



## **Directors**

G Behr  
J Benkel  
G Gilbert

## **Secretary**

J Benkel

## **Auditor**

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

## **Registered office**

40 Gracechurch Street  
London  
EC3V 0BT

# UPP (Alcuin) Limited

## Directors' report

### for the year ended 31 August 2012



The directors present their report and financial statements for the year ended 31 August 2012.

#### Results, principal activity and review of the business

The group's principal activity is the operation of student accommodation and the provision of related facilities management services for the University of York under the University Partnerships Programme.

The properties have achieved full occupancy during the financial year. The year end financial position was in accordance with the directors' expectations. The directors anticipate that the future level of activity will be in accordance with their expectations and consider that the project will yield returns in line with current forecasts.

The group loss for the year attributable to shareholders and reported in the financial statements is £13,000 (2011: £46,000 profit).

#### Post balance sheet event

On 7 September 2012 an amount of £4.6m was paid against the senior debt. Subsequent to this repayment, the senior debt was rolled over creating a new maturity date of 17 April 2013.

Also on 7 September 2012, UPP Group Holdings extended an additional amount of sub debt amounting to £4.6m on the same terms as the existing sub debt.

On 12 September 2012, UPP Group Holdings Limited, the largest group of which the company is a member, had a 60% stake acquired by PGGM Vermogensbeheer BV ("PGGM"). PGGM is incorporated in the Netherlands. The largest group of which the company is a member will remain UPP Group Holdings Limited.

#### Going concern

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

The senior debt facility of £39.7m is due for repayment on 17 April 2013. The directors are currently in the process of negotiating the refinancing of this debt and exploring other means of finance to obtain the best possible terms of finance for the company. Whilst there is a degree of uncertainty as to the outcome of these negotiations, the directors have confidence at this stage that they will be successful.

#### Key performance indicators

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

	2011/12	2010/11
Applications : Acceptance ratio	6.41:1	6.25:1
Core demand pool (no. of students)	12,111	11,001

The indicators above are directly related to performance of The University of York and any changes in these statistics may potentially affect the performance of UPP (Alcuin) Limited and its subsidiary undertaking UPP (York) Limited. The company therefore monitors these indicators on an annual basis for any significant changes. The directors are satisfied that the movements noted above are within tolerable limits.

# UPP (Alcuin) Limited

## Directors' report (continued)

### for the year ended 31 August 2012

#### Financial risk management objectives and policies

The company uses various financial instruments including loans, cash 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.

#### Interest rate risk

The company finances its operations through a mixture of retained profits, related party borrowings and bank borrowings. The company exposure to interest rate fluctuations on its bank borrowings is managed by the use of interest swaps which fix variable interest rates for a period of time.

#### Liquidity risk

The 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.

The maturity of borrowings is set out in note 15 to the financial statements.

#### Demand risk

The company is subjected to risks arising from occupancy voids and no nominations by the university partners which can lead to uncertain revenues. This risk is managed by cementing relationships with the university, improved marketing of accommodation and improved third party revenues to compensate for any shortfalls in rental income.

#### Portfolio risk

The assets of the company are in the student market and reduced student numbers could impact upon financial performance. The company seeks to mitigate this risk by building excellent long term relationships with its university partner and ensuring up to date in depth market analysis is completed each period to enable the company to review its strategic position.

#### Dividend

The directors are unable to propose the payment of a dividend (2011: £Nil).

#### Directors and their interests

The directors holding office during the year ended 31 August 2012 and subsequently are:

G Behr  
J Benkel  
A Clapp (resigned 13 September 2012)  
R McClatchey (resigned 12 September 2012)  
G Gilbert

At 31 August 2012, none of the directors had any beneficial interests in the shares of the company or in any of the group companies.



# UPP (Alcuin) Limited Directors' report (continued) for the year ended 31 August 2012

## Creditor payment terms

When entering into commitments for the purchase of services and goods, the company gives due consideration to quality, price and the terms of payment. Suppliers are made aware of these terms. The company abides by these terms whenever it is satisfied that suppliers have provided the services or goods in accordance with such agreed terms and conditions. In the event of disputes, efforts are made to resolve these quickly. The average creditor days in the period were 32 (2011: 40 days).

## Directors' Responsibilities Statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). 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 and profit or loss of the group and 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.

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

In so far as each of the directors is aware:

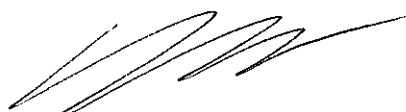
- there is no relevant audit information of which the company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Auditor

Having passed elective resolutions of the shareholders the company is exempt from the obligation to annually re-appoint auditors and to hold annual general meetings. Accordingly the board recommended during the period that Grant Thornton UK LLP act as auditors to the company.

On behalf of the Board



G Behr  
Director

26 October 2012

## Report of the independent auditor to the members of UPP (Alcuin) Limited

We have audited the financial statements of UPP (Alcuin) Limited for the period ended 31 August 2012 which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the consolidated note of historical cost profits and losses, the consolidated and company balance sheets and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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 (APB'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 APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's loss and of the parent company's affairs as at 31 August 2012 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Emphasis of matter – Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in the going concern paragraph included in the accounting policies in the financial statements concerning the company's ability to continue as a going concern. The company is due to repay its senior debt facility of £39.7m on 17 April 2013 and the directors are currently in the process of negotiating the refinancing of this debt and exploring other means of finance to obtain the best possible terms of finance for the company. These conditions, along with the other matters explained in the going concern paragraph included in the accounting policies to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

## Report of the independent auditor to the members of UPP (Alcuin) Limited (continued)

### Opinion on other matter prescribed by the Companies Act 2006

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

### Matters on which we are required to report by exception

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

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



**Giles Mullins**  
**Senior Statutory Auditor**  
**For and on behalf of Grant Thornton UK LLP**  
**Statutory Auditors, Chartered Accountants**  
**Central Milton Keynes**

29 October 2012

# UPP (Alcuin) Limited

## Consolidated profit and loss account for year ended 31 August 2012

		Year ended 31 August 2012 £'000	Year ended 31 August 2011 £'000
	Notes		
Turnover	2	5,149	4,960
Cost of sales		<u>(1,219)</u>	<u>(1,203)</u>
<b>Gross profit</b>		<b>3,930</b>	<b>3,757</b>
Operating expenses		<u>(1,014)</u>	<u>(578)</u>
<b>Operating profit</b>	6	<b>2,916</b>	<b>3,179</b>
Interest receivable & similar income	7	<b>11</b>	<b>10</b>
Interest payable & similar charges	8	<u>(2,990)</u>	<u>(2,987)</u>
<b>(Loss) / profit on ordinary activities before taxation</b>		<b>(63)</b>	<b>202</b>
Tax credit / (charge) on loss on ordinary activities	9	<b>50</b>	<b>(156)</b>
<b>(Loss) / profit for the financial year</b>	18a	<u><b>(13)</b></u>	<u><b>46</b></u>

The above results all relate to continuing operations.

**UPP (Alcuin) Limited**  
**Consolidated statement of total recognised gains**  
**and losses**  
**for year ended 31 August 2012**

		Year ended 31 August 2012 £'000	Year ended 31 August 2011 £'000
	Notes		
(Loss) / profit for the financial year	18a	(13)	46
Revaluation of principal asset	18a	423	-
<b>Total recognised gains and losses relating to the year</b>		<b>410</b>	<b>-</b>

**Note of consolidated historical cost profits and losses**

	Year ended 31 August 2012 £'000	Year ended 31 August 2011 £'000
Reported (loss) / profit on ordinary activities before taxation	(63)	202
Difference between historical cost depreciation charge and the actual depreciation charge of the year calculated at the revalued amount	50	46
<b>Historical cost (loss) / profit on ordinary activities before taxation</b>	<b>(13)</b>	<b>248</b>

# UPP (Alcuin) Limited

## Consolidated balance sheet

### as at 31 August 2012

		31 August 2012 £'000	31 August 2011 £'000
	Notes		
<b>Fixed assets</b>			
Intangible assets	10	4,233	4,327
Tangible assets	11	56,510	56,239
		<u>60,743</u>	<u>60,566</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	13	5	4
Cash at bank and in hand		4,032	3,600
		<u>4,037</u>	<u>3,604</u>
Creditors: amounts falling due within one year	14	(42,873)	(2,907)
<b>Net current liabilities / assets</b>		<u>(38,836)</u>	<u>697</u>
<b>Total assets less current liabilities</b>		<u>21,907</u>	<u>61,263</u>
Creditors: amounts falling due after more than one year	15	(3,968)	(43,684)
<b>Provisions for liabilities</b>	16	(576)	(626)
		<u>17,363</u>	<u>16,953</u>
<b>Share capital and reserves</b>			
Called up share capital	17	440	440
Revaluation reserve	18a	18,757	18,384
Profit and loss account	18a	(1,834)	(1,871)
		<u>17,363</u>	<u>16,953</u>

The financial statements were approved by the board on 26 October 2012 and were signed on its behalf by:




**G Behr**  
Director

**UPP (Alcuin) Limited  
Company balance sheet  
as at 31 August 2012**

		31 August 2012 £'000	31 August 2011 £'000
	Notes		
<b>Fixed assets</b>			
Investments	12	1,500	1,500
Tangible assets	11	<u>11,380</u>	<u>11,461</u>
		12,880	12,961
<b>Current assets</b>			
Debtors: amounts falling due within one year	13	21,152	21,956
Cash at bank and in hand		<u>4,032</u>	<u>3,600</u>
		25,184	25,556
Creditors: amounts falling due within one year	14	<u>(42,187)</u>	<u>(2,210)</u>
<b>Net current liabilities / assets</b>		<u>(17,003)</u>	<u>23,346</u>
<b>Total assets less current liabilities</b>		<u>(4,123)</u>	<u>36,307</u>
Creditors: amounts falling due after more than one year	15	(3,968)	(43,684)
		<u>(8,091)</u>	<u>(7,377)</u>
<b>Share capital and reserves</b>			
Called up share capital	17	440	440
Revaluation reserve	18b	(5,032)	(4,995)
Profit and loss account	18b	<u>(3,499)</u>	<u>(2,822)</u>
		<u>(8,091)</u>	<u>(7,377)</u>

The financial statements were approved by the board on 26 October 2012  
and were signed on its behalf by:



**G Behr  
Director**

**Registered No: 06077462**

# UPP (Alcuin) Limited

## Notes to the financial statements

### for the year ended 31 August 2012

#### 1. Principal accounting policies

##### (a) Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of fixed assets, and in accordance with applicable accounting standards and the Companies Act 2006. The accounting policies remain unchanged from the previous year.

##### (b) Going concern

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

The senior debt facility of £39.7m is due for repayment on 17 April 2013. The directors are currently in the process of negotiating the refinancing of this debt and exploring other means of finance to obtain the best possible terms of finance for the company. Whilst there is a degree of uncertainty as to the outcome of these negotiations, the directors have confidence at this stage that they will be successful.

##### (c) Basis of consolidation

The group financial statements consolidate the financial statements of UPP (Alcuin) Limited and its subsidiary undertaking UPP (York) Limited prepared to 31 August each year using the acquisition method from the date control passes to the group. No profit and loss account is presented for UPP (Alcuin) Limited as permitted by section 408 of the Companies Act 2006. The loss dealt with in the company for the financial year was £664,000 (2011: £384,000).

##### (d) Cash flow statement

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

##### (e) Intangible fixed assets

Goodwill has arisen on the acquisition of the subsidiary undertakings and is the difference between the consideration given and the fair value of the net assets acquired.

Goodwill attributed to subsidiary undertakings is amortised on a straight line basis over the remaining lease period on the principal asset held by the subsidiary which expires in 2057. This period of amortisation is greater than 20 years but represents the period over which each subsidiary undertaking acquired will continue to generate operating cash flows.

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



# UPP (Alcuin) Limited

## Notes to the financial statements (continued)

### for the year ended 31 August 2012

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

##### (f) Presentation of principal asset

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

Each year the group reviews the status of these interests, in accordance with the provisions of FRS 5 (Application Note F), assessing the balance of the significant risks and rewards of ownership of the asset. The appropriate balance sheet treatment of these interests is to treat the asset as a finance receivable asset where the group does not have the majority of significant risks and rewards. Where it does, the asset is treated as a tangible fixed asset.

The directors consider the balance of the risks and rewards lies with the group and therefore the asset is treated as a tangible fixed asset.

##### (g) Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is calculated so as to write off the cost of the tangible fixed assets, less any residual value, over the expected useful economic lives of the assets concerned once construction is complete. The principal rates of depreciation used for this purpose are:

Assets for use in operating leases - annuity method over the term of the lease

The economic benefit of the principal assets for use in operating leases is the return on assets invested into the financing arrangement with the relevant university. The annuity method takes into account the cost of capital notionally invested in the principal asset. Notional interest calculated using the relevant company's actual weighted cost of capital and depreciation combined will give an approximately constant charge to revenue.

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

Where depreciation charges are increased following a revaluation, an amount equal to the increase is transferred annually from the revaluation reserve to the profit and loss account as a movement on reserves.

##### (h) Investments

Fixed asset investments are carried at cost less any provision for impairment in value.

##### (i) Impairment reviews

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

##### (j) Income recognition

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

# UPP (Alcuin) Limited

## Notes to the financial statements (continued)

### for the year ended 31 August 2012

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

##### (k) Debt issue costs

The debt issue costs incurred have been offset against the related debt and will be charged to finance costs at a constant rate on the carrying value of the debt. If it becomes clear that the related debt will be redeemed early then the charge to finance costs will be accelerated. Where there is an early repayment clause within the debt instrument, costs incurred are amortised to the profit and loss account to the earliest opportunity the debt could be repaid.

##### (l) Interest rate swaps

Interest rate swaps are used to hedge the group's exposure to movements on interest rates. The fair value of this financial instrument, which may be an asset or a liability to the group, depending upon the market rate, is not recognised in the financial statements as the group is exempt from adopting FRS 26 and has not voluntarily chosen to adopt.

The interest payable on the debt and associated interest rate swaps is accrued for within the financial statements.

Should the group terminate the interest rate swaps earlier than they mature the group may become liable to pay penalties.

##### (m) Taxation

###### (i) Current tax

The charge for current taxation for the year is based on the result for the year, adjusted for disallowable items.

###### (ii) Deferred tax

Full provision has been made for deferred taxation in respect of timing differences that have originated, but not reversed at the balance sheet date where an event has occurred that results in an obligation to pay more or less tax in the future by the balance sheet date except that:

- Provision is made for gains on disposal of assets that have been rolled over into replacement assets only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned.
- Provision is not made for the remittance of a subsidiary, associate or joint venture's earnings that would cause tax to be payable where no commitment has been made to the remittance of the earnings.
- Deferred tax assets are recognised to the extent that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the years in which the timing differences reverse, based on the tax rates enacted at the balance sheet date. Group relief is only accounted for to the extent that a formal policy is in place at the year / period end. Where no policy is in place, current and deferred tax is measured before benefits which may arise from a formal group relief policy.

# UPP (Alcuin) Limited

## Notes to the financial statements (continued)

### for the year ended 31 August 2012

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

##### (n) Defined contribution pension scheme

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

#### 2. Turnover

Turnover represents income, on the basis of accounting policy 1(j), excluding VAT, attributed to the provision of student accommodation.

#### 3. Directors' remuneration

The directors were paid £24,000 (2011: £22,000) in respect of services performed in connection of the management of the affairs of this group.

#### 4. Auditors' remuneration

	Year ended 31 August 2012 £'000	Year ended 31 August 2011 £'000
Fees payable to the group's auditor for the audit of the company's annual accounts	15	15
Fees payable to the group's auditor and its associates for other services:		
Audit of the company's subsidiaries	15	15
Tax services	8	8
	<u>38</u>	<u>38</u>

#### 5. Employee information

The average number of persons employed by the group during the year was as follows:

	2012 Number	2011 Number
Site managers (full time)	1	1
Administration, maintenance and cleaning (full and part time)	5	5
	<u>6</u>	<u>6</u>

The employment costs of all employees included above were:

	Year ended 31 August 2012 £'000	Year ended 31 August 2011 £'000
Wages and salaries	104	108
Social security costs	9	10
Other pension costs	2	4
	<u>115</u>	<u>122</u>

**UPP (Alcuin) Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 August 2012**

**6. Operating profit**

The operating profit is stated after charging:

	Year ended 31 August 2012 £'000	Year ended 31 August 2011 £'000
Amortisation of goodwill	94	94
Depreciation	<u>152</u>	<u>141</u>

**7. Interest receivable and similar income**

	Year ended 31 August 2012 £'000	Year ended 31 August 2011 £'000
Interest on cash balances	<u>11</u>	<u>10</u>

**8. Interest payable and similar charges**

	Year ended 31 August 2012 £'000	Year ended 31 August 2011 £'000
Bank loan interest	2,461	2,457
Subordinated loan interest	<u>529</u>	<u>530</u>
	<u>2,990</u>	<u>2,987</u>

**9. Tax on (loss)/profit on ordinary activities**

	Year ended 31 August 2012 £'000	Year ended 31 August 2011 £'000
<b>a) Analysis of (credit)/charge for the year</b>		
Current tax on income for the year (note 9b)	<u>-</u>	<u>-</u>
<i>Deferred tax:</i>		
Current year	196	206
Rate difference	(50)	(50)
Adjustments to tax charge in respect of previous years	<u>(196)</u>	<u>-</u>
Total deferred tax (note 16)	<u>(50)</u>	<u>156</u>
<b>Tax on (loss)/profit on ordinary activities</b>	<u>(50)</u>	<u>156</u>

**UPP (Alcuin) Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 August 2012**

**9. Tax on (loss)/profit on ordinary activities (continued)**

**b) Factors affecting current tax charge for the year**

The tax assessed for the year is higher (2011: higher) than the standard rate of corporation tax in the UK of 25% (2011: 27%). The differences are explained below:

	<b>31 August 2012 £'000</b>	31 August 2011 £'000
(Loss)/profit on ordinary activities before tax	<u><b>(63)</b></u>	<u>202</u>
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 25% (2011: 27%)	<b>(16)</b>	54
<i>Effects of:</i>		
Disallowable expenses	<b>47</b>	49
Capital allowances in excess of depreciation	<b>(197)</b>	(203)
Unutilised tax losses	<u><b>166</b></u>	<u>100</u>
<b>Current tax (credit)/charge for the year (note 9a)</b>	<u><b>-</b></u>	<u>-</u>

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

A deferred tax asset of £715,000 (2011: £883,000) in respect of available tax losses and other timing differences has not been recognised at 31 August 2012. This is due to there being no persuasive and reliable evidence available at this time of suitable profits to offset these losses.

No provision has been made for deferred tax on gains recognised on revaluing property to its market value. Such tax would become payable only if the property were sold without it being possible to claim rollover relief. The total amount unprovided is £3,697,000 (2011: £4,898,000). At present, it is not envisaged that any tax will become payable in the foreseeable future.

**UPP (Alcuin) Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 August 2012**

**10. Intangible fixed assets**

	<b>Positive Goodwill £'000</b>
<b>Cost</b>	
At 1 September 2011 and at 31 August 2012	<u>4,703</u>
<b>Amortisation</b>	
At 1 September 2011	(376)
Charge during the year	(94)
At 31 August 2012	<u>(470)</u>
<b>Net book value</b>	
At 31 August 2012	<u>4,233</u>
At 31 August 2011	<u>4,327</u>

Goodwill arose on the acquisition of the subsidiary undertakings during the year ended 31 August 2008.

**11. Tangible fixed assets**

	<b>Assets for use in operating leases Group £'000</b>	<b>Assets for use in operating leases Company £'000</b>
<b>Cost or valuation</b>		
At 1 September 2011	56,511	11,517
Revaluation	(1)	(137)
At 31 August 2012	<u>56,510</u>	<u>11,380</u>
<b>Depreciation</b>		
At 1 September 2011	(272)	(56)
Charge during the year	(152)	(31)
Revaluation	424	87
At 31 August 2012	<u>-</u>	<u>-</u>
<b>Net book value</b>		
At 31 August 2012	<u>56,510</u>	<u>11,380</u>
At 31 August 2011	<u>56,239</u>	<u>11,461</u>

Fixed assets include finance costs up to the date of completion of £1,195,000.

Assets used in operating leases were independently valued by Jones Lange LaSalle ("JLL"), Chartered Surveyors, on an existing use basis at 31 August 2012. JLL have confirmed that the value as at that date was £56,510,000.

**UPP (Alcuin) Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 August 2012**

**11. Tangible fixed assets (continued)**

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

	<b>Assets for use in operating leases Group</b>	<b>Assets for use in operating leases Company</b>	<b>Assets for use in operating leases Group</b>	<b>Assets for use in operating leases Company</b>
	<b>31 August 2012 £'000</b>	<b>31 August 2012 £'000</b>	<b>31 August 2011 £'000</b>	<b>31 August 2011 £'000</b>
Cost	38,197	16,605	38,197	16,605
Depreciation	(444)	(193)	(342)	(149)
Net book value	<u>37,753</u>	<u>16,412</u>	<u>37,855</u>	<u>16,456</u>

**12. Fixed asset investments**

<b>Company</b>	<b>Share Holding %</b>	<b>Class of Shares</b>	<b>Interest in subsidiary undertakings £'000</b>
At 1 September 2011 and at 31 August 2012	100	Ordinary	<u>1,500</u>

The fixed asset investment value above represents the carrying value of the company's investment in its subsidiary undertaking UPP (York) Limited.

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

	<b>31 August 2012 £'000</b>	<b>31 August 2012 £'000</b>	<b>31 August 2011 £'000</b>	<b>31 August 2011 £'000</b>
	<b>Group</b>	<b>Company</b>	<b>Group</b>	<b>Company</b>
Amounts due from subsidiary undertaking	-	21,151	-	21,955
Prepayments and accrued income	5	1	4	1
	<u>5</u>	<u>21,152</u>	<u>4</u>	<u>21,956</u>

**UPP (Alcuin) Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 August 2012**

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

	31 August 2012 £'000	31 August 2012 £'000	31 August 2011 £'000	31 August 2011 £'000
	Group	Company	Group	Company
Bank loans	39,695	39,695	54	54
Trade creditors	2	1	-	-
Amount owed to related parties	431	175	531	200
Amounts owed to group undertakings	186	96	71	27
Amounts owed to parent company	268	268	263	263
Accruals & deferred income	2,291	1,952	1,988	1,666
	<u>42,873</u>	<u>42,187</u>	<u>2,907</u>	<u>2,210</u>

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

	Year ended 31 August 2012 £'000	Year ended 31 August 2011 £'000
	Group & Company	Group & Company
Senior debt	39,695	39,749
Secured subordinated loan notes	3,989	3,989
	<u>43,684</u>	<u>43,738</u>
Less: included in creditors amounts falling due within one year	(39,716)	(54)
	<u>3,968</u>	<u>43,684</u>

**Maturity of debt**

Repayable within one year or on demand	39,716	54
Repayable in more than one year but less than two years	7	39,716
Repayable in more than two years but less than five years	47	11
Repayable in more than five years	3,914	3,957
	<u>43,684</u>	<u>43,738</u>
Less: included in creditors amounts falling due within one year	(39,716)	(54)
	<u>3,968</u>	<u>43,684</u>

The senior facility of £39,863,000 is fully utilised.

**Senior debt**

The senior debt is provided by Barclays Bank Plc and is repayable by 17 April 2013 with principal repayments commencing on 30 November 2007. The interest rate is fixed via a swap at a rate of 5.62% plus a variable margin.

The senior debt is secured by way of a first fixed charge over the tangible fixed asset. Furthermore, the terms of the finance agreement provide that the lender will seek repayment of the finance, as to both principal and interest, only to the extent that sufficient funds are generated by the specific asset financed and it will not seek recourse to the group in any other form. The group is not obliged to support any losses, nor does it intend to do so.



**UPP (Alcuin) Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 August 2012**

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

**Secured subordinated loan notes**

The subordinated loan notes are provided by UPP Group Limited and The University of York. The loan notes are subject to the same security as the senior debt facilities but are subordinated to the right of payment of senior debt providers.

The loan notes will be repaid by 2057 and are subject to an effective interest rate of 13.28%.

**16. Provisions for liabilities**

	<b>31 August 2012 £'000 Group</b>	<b>31 August 2012 £'000 Company</b>	31 August 2011 £'000 Group	31 August 2011 £'000 Company
<b>Deferred tax liability</b>				
At 1 September	626	-	470	-
Charged to profit & loss account	(50)	-	156	-
<b>At 31 August</b>	<b>576</b>	<b>-</b>	<b>626</b>	<b>-</b>

	<b>31 August 2012 £'000 Group</b>	<b>31 August 2012 £'000 Company</b>	31 August 2011 £'000 Group	31 August 2011 £'000 Company
<b>Deferred tax</b>				

The deferred tax liability consists of:

Accelerated capital allowances	1,399	820	1,520	895
Other timing differences	(823)	(820)	(894)	(895)
<b>Total deferred tax liability</b>	<b>576</b>	<b>-</b>	<b>626</b>	<b>-</b>

**17. Called up share capital**

	<b>31 August 2012 £'000</b>	31 August 2011 £'000
<b>Authorised</b>		
389,001 A Ordinary shares of £1 each	389	389
110,000 B Ordinary shares of £1 each	110	110
	<b>499</b>	<b>499</b>
<b>Allotted, called up and fully paid</b>		
343,201 A Ordinary shares of £1 each	343	343
96,800 B Ordinary shares of £1 each	97	97
	<b>440</b>	<b>440</b>

"A" and "B" shares rank pari passu in all respects.

**UPP (Alcuin) Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 August 2012**

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

**(a) Group**

	Share capital £'000	Revaluation reserve £'000	Profit & loss account £'000	Total shareholders' funds £'000
At 1 September 2011	440	18,384	(1,871)	16,953
Transfer to profit and loss	-	(50)	50	-
Loss for the year	-	-	(13)	(13)
Revaluation	-	423	-	423
<b>At 31 August 2012</b>	<b>440</b>	<b>18,757</b>	<b>(1,834)</b>	<b>17,363</b>

**(b) Company**

	Share capital £'000	Revaluation reserve £'000	Profit & loss account £'000	Total shareholders' deficit £'000
At 1 September 2011	440	(4,995)	(2,822)	(7,377)
Transfer to profit and loss	-	13	(13)	-
Loss for the year	-	-	(664)	(664)
Revaluation	-	(50)	-	(50)
<b>At 31 August 2012</b>	<b>440</b>	<b>(5,032)</b>	<b>(3,499)</b>	<b>(8,091)</b>

**19. Parent undertaking and controlling party**

The company is owned by UPP Group Limited and the University of York.

UPP Group Limited is a wholly owned subsidiary of UPP Group Holdings Limited. UPP Group Holdings Limited is controlled by a 60% stake held by PGGM Vermogensbeheer BV ("PGGM"). The remaining 40% is held by The Alma Mater Fund LP (acting through its general partner Barclays Alma Mater General Partner Limited), Barclays European Infrastructure Fund (UPP) LP (acting through its general partner Barclays European Infrastructure Limited) and Barclays European Infrastructure Fund II LP (acting through its Barclays European Infrastructure II Limited). The Alma Mater Fund LP and Barclays Alma Mater General Partner Limited are collectively referred to as 'Alma Mater'.

It is the directors' opinion that the ultimate controlling party changed from Alma Mater to PGGM on 12 September 2012.

The smallest group of which the company is a member and for which group accounts are prepared is UPP (Alcuin) Limited.

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

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

# UPP (Alcuin) Limited

## Notes to the financial statements (continued)

### for the year ended 31 August 2012

#### 20. Related party transactions

UPP Group Limited and UPP Residential Services Limited are subsidiaries of PGGM. Therefore the directors consider that UPP Group Limited, UPP Residential Services Limited and the University of York are related companies.

##### Group

The group incurred costs of £1,382,000 (2011: £1,049,000) in respect to services provided by the University of York and income of £5,718,000 (2011: £5,134,000) in respect to services provided to the university. An amount of £427,000 (2011: £531,000) remains outstanding at the balance sheet date and is included within creditors falling due within one year.

The group incurred costs of £997,000 (2011: £594,000) in respect of services provided by UPP Residential Services Limited. An amount of £186,000 (2011: £65,000) remains outstanding at the balance sheet date and is included within creditors falling due within one year.

The group incurred costs of £281,000 (2011: £279,000) in respect of services provided by UPP Group Limited. An amount of £268,000 (2011: £263,000) remained outstanding at the balance sheet date and was included within creditors falling due within one year.

##### Company

The company incurred costs of £396,000 (2011: £286,000) in respect to services provided by the University of York and income of £1,309,000 (2011: £1,161,000) in respect to services provided to the university. An amount of £171,000 (2011: £200,000) remains outstanding at the balance sheet date and is included within creditors falling due within one year.

The company incurred costs of £417,000 (2011: £174,000) in respect of services provided by UPP Residential Services Limited. An amount of £96,000 (2011: £21,000) remains outstanding at the balance sheet date and is included within creditors falling due within one year.

The company incurred costs of £281,000 (2011: £279,000) in respect of services provided by UPP Group Limited. An amount of £268,000 (2011: £263,000) remained outstanding at the balance sheet date and was included within creditors falling due within one year.

#### 21. Post balance sheet events

On 12 September 2012, UPP Group Holdings Limited, the largest group of which the company is a member, had a 60% stake acquired by PGGM. PGGM is incorporated in the Netherlands. The largest group of which the company is a member will remain UPP Group Holdings Limited.

**UPP (Alcuin) Limited  
Report and financial statements**

**For the year ended 31 August 2011**

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# UPP (Alcuin) Limited Directors and advisors



## **Directors**

G Behr  
J Benkel  
A Clapp  
G Gilbert  
R McClatchey

## **Secretary**

J Benkel

## **Auditor**

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

## **Registered office**

40 Gracechurch Street  
London  
EC3V 0BT

# UPP (Alcuin) Limited

## Directors' report

### for the year ended 31 August 2011



The directors present their report and financial statements for the year ended 31 August 2011.

#### Results, principal activity and review of the business

The group's principal activity is the operation of student accommodation and the provision of related facilities management services for the University of York under the University Partnerships Programme.

The properties have achieved full occupancy during the financial year. The year end financial position was in accordance with the directors' expectations. The directors anticipate that the future level of activity will be in accordance with their expectations and consider that the project will yield returns in line with current forecasts.

The group profit for the year attributable to shareholders and reported in the financial statements is £46,000 (2010: £574,000 loss).

#### Going concern

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

#### Key performance indicators

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

	2010/11	2009/10
Applications : Acceptance ratio	6.25:1	6.14:1
Core demand pool (no. of students)	11,001	9,595

The indicators above are directly related to performance of The University of York and any changes in these statistics may potentially affect the performance of UPP (Alcuin) Limited and its subsidiary undertaking UPP (York) Limited. The company therefore monitors these indicators on an annual basis for any significant changes. The directors are satisfied that the movements noted above are within tolerable limits.

#### Financial risk management objectives and policies

The company uses various financial instruments including loans, cash 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.

# UPP (Alcuin) Limited

## Directors' report (continued)

### for the year ended 31 August 2011

#### Financial risk management objectives and policies (continued)

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.

#### Interest rate risk

The company finances its operations through a mixture of retained profits, related party borrowings and bank borrowings. The company exposure to interest rate fluctuations on its bank borrowings is managed by the use of interest swaps which fix variable interest rates for a period of time.

#### Liquidity risk

The 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.

The maturity of borrowings is set out in note 15 to the financial statements.

#### Demand risk

The company is subjected to risks arising from occupancy voids and no nominations by the university partners which can lead to uncertain revenues. This risk is managed by cementing relationships with the university, improved marketing of accommodation and improved third party revenues to compensate for any shortfalls in rental income.

#### Portfolio risk

The assets of the company are in the student market and reduced student numbers could impact upon financial performance. The company seeks to mitigate this risk by building excellent long term relationships with its university partner and ensuring up to date in depth market analysis is completed each period to enable the company to review its strategic position.

#### Dividend

The directors are unable to propose the payment of a dividend (2010: £Nil).

#### Directors and their interests

The directors holding office during the year ended 31 August 2011 and subsequently are:

C Crawford	(Resigned 2 October 2010)
G Behr	
M Allen	(Resigned 18 February 2011)
J Benkel	(Appointed 18 February 2011)
A Clapp	(Appointed 18 February 2011)
R McClatchey	(Appointed 17 June 2011)
G Gilbert	

At 31 August 2011, none of the directors had any beneficial interests in the shares of the company or in any of the group companies.

#### Creditor payment terms

When entering into commitments for the purchase of services and goods, the company gives due consideration to quality, price and the terms of payment. Suppliers are made aware of these terms. The company abides by these terms whenever it is satisfied that suppliers have provided the services or goods in accordance with such agreed terms and conditions. In the event of disputes, efforts are made to resolve these quickly. The average creditor days in the period were 40 (2010: 35 days).



# UPP (Alcuin) Limited Directors' report (continued) for the year ended 31 August 2011

## Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). 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 and profit or loss of the group and 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.

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

In so far as each of the directors is aware:

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Auditor

Having passed elective resolutions of the shareholders the company is exempt from the obligation to annually re-appoint auditors and to hold annual general meetings. Accordingly the board recommended during the period that Grant Thornton UK LLP act as auditors to the company.

**On behalf of the Board**

  
**G Behr**  
Director

19 October 2011

## Report of the independent auditor to the members of UPP (Alcuin) Limited

We have audited the financial statements of UPP (Alcuin) Limited for the period ended 31 August 2011 which comprise the consolidated profit and loss account, the consolidated note of historical cost profits and losses, the consolidated and company balance sheets and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, 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 (APB'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 APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 August 2011 and of the group's 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.

### Emphasis of matter - Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in the going concern paragraph included in the accounting policies in the financial statements concerning the company's ability to continue as a going concern. The company is due to repay its senior debt facility of £39.7m on 7 September 2012 and the directors are currently in the process of negotiating the refinancing of this debt and exploring other means of finance to obtain the best possible terms of finance for the company. These conditions, along with the other matters explained in the going concern paragraph included in the accounting policies to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.



Grant Thornton

## Report of the independent auditor to the members of UPP (Alcuin) Limited (continued)

### Opinion on other matter prescribed by the Companies Act 2006

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

### Matters on which we are required to report by exception

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

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

*Grant Thornton UK LLP*

**Giles Mullins**  
**Senior Statutory Auditor**  
**For and on behalf of Grant Thornton UK LLP**  
**Statutory Auditors, Chartered Accountants**

**Central Milton Keynes**

**21 October 2011**

# UPP (Alcuin) Limited

## Consolidated profit and loss account for year ended 31 August 2011

		Year ended 31 August 2011 £'000	Year ended 31 August 2010 £'000
	Notes		
Turnover	2	4,960	4,765
Cost of sales		<u>(1,203)</u>	<u>(1,146)</u>
<b>Gross profit</b>		<b>3,757</b>	3,619
Operating expenses		<u>(578)</u>	<u>(1,062)</u>
<b>Operating profit</b>	6	<b>3,179</b>	2,557
Interest receivable & similar income	7	<b>10</b>	6
Interest payable & similar charges	8	<u>(2,987)</u>	<u>(3,008)</u>
<b>Profit / (Loss) on ordinary activities before taxation</b>		<b>202</b>	(445)
Tax charge on loss on ordinary activities	9	<b>(156)</b>	(129)
<b>Profit / (Loss) for the financial year</b>	18	<u><b>46</b></u>	<u>(574)</u>

The above results all relate to continuing operations.

The group has no recognised gains and losses other than the profit for the year ended 31 August 2011 and the loss for the year ended 31 August 2010 and therefore no separate statement of total recognised gains and losses has been presented.

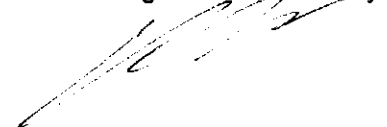
**Note of consolidated historical cost profits and losses**

	Year ended 31 August 2011 £'000	Year ended 31 August 2010 £'000
Reported profit / (loss) on ordinary activities before taxation	<b>202</b>	(445)
Difference between historical cost depreciation charge and the actual depreciation charge of the year calculated at the revalued amount	<b>46</b>	43
<b>Historical cost profit / (loss) on ordinary activities before taxation</b>	<b>248</b>	<b>(402)</b>

**UPP (Alcuin) Limited  
Consolidated balance sheet  
as at 31 August 2011**

		31 August 2011 £'000	31 August 2010 £'000
	Notes		
<b>Fixed assets</b>			
Intangible assets	10	4,327	4,421
Tangible assets	11	56,239	56,380
		<u>60,566</u>	<u>60,801</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	13	4	5
Cash at bank and in hand		3,600	2,978
		<u>3,604</u>	<u>2,983</u>
Creditors: amounts falling due within one year	14	(2,907)	(2,669)
<b>Net current assets</b>		<u>697</u>	<u>314</u>
<b>Total assets less current liabilities</b>		<u>61,263</u>	<u>61,115</u>
Creditors: amounts falling due after more than one year	15	(43,684)	(43,738)
<b>Provisions for liabilities</b>	16	(626)	(470)
		<u>16,953</u>	<u>16,907</u>
<b>Share capital and reserves</b>			
Called up share capital	17	440	440
Profit and loss account	18	(1,871)	(1,963)
Revaluation reserve	18	18,384	18,430
		<u>16,953</u>	<u>16,907</u>

The financial statements were approved by the board on 19 October 2011 and were signed on its behalf by:

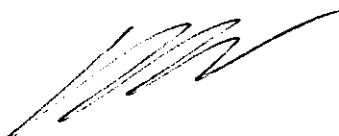


**G Behr  
Director**

# UPP (Alcuin) Limited Company balance sheet as at 31 August 2011

		31 August 2011 £'000	31 August 2010 £'000
<b>Fixed assets</b>			
Investments	12	1,500	1,500
Tangible assets	11	<u>11,461</u>	<u>11,490</u>
		<b>12,961</b>	<b>12,990</b>
<b>Current assets</b>			
Debtors: amounts falling due within one year	13	21,956	22,875
Cash at bank and in hand		<u>3,600</u>	<u>2,978</u>
		<b>25,556</b>	<b>25,853</b>
Creditors: amounts falling due within one year	14	<u>(2,210)</u>	<u>(2,098)</u>
<b>Net current assets</b>		<u><b>23,346</b></u>	<u><b>23,755</b></u>
<b>Total assets less current liabilities</b>		<u><b>36,307</b></u>	<u><b>36,745</b></u>
Creditors: amounts falling due after more than one year	15	<u>(43,684)</u>	<u>(43,738)</u>
		<u><b>(7,377)</b></u>	<u><b>(6,993)</b></u>
<b>Share capital and reserves</b>			
Called up share capital	17	440	440
Profit and loss account	18	(2,822)	(2,425)
Revaluation reserve	18	<u>(4,995)</u>	<u>(5,008)</u>
		<u><b>(7,377)</b></u>	<u><b>(6,993)</b></u>

The financial statements were approved by the board on 19 October 2011  
and were signed on its behalf by:



**G Behr**  
Director

**Registered No: 6077462**

# UPP (Alcuin) Limited

## Notes to the financial statements

### for the year ended 31 August 2011

#### 1. Principal accounting policies

##### (a) Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of fixed assets, and in accordance with applicable accounting standards and the Companies Act 2006. The accounting policies remain unchanged from the previous year.

##### (b) Going concern

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

As disclosed in note 15, the senior debt facility of £39.7m is due for repayment on 7 September 2012. The directors are currently in the process of negotiating the refinancing of this debt and exploring other means of finance to obtain the best possible terms of finance for the company. Whilst there is a degree of uncertainty as to the outcome of these negotiations, the directors have confidence at this stage that they will be successful.

##### (c) Basis of consolidation

The group financial statements consolidate the financial statements of UPP (Alcuin) Limited and its subsidiary undertaking UPP (York) Limited prepared to 31 August each year using the acquisition method from the date control passes to the group. No profit and loss account is presented for UPP (Alcuin) Limited as permitted by section 408 of the Companies Act 2006. The loss dealt with in the company for the financial year was £384,000 (2010: £794,000).

##### (d) Cash flow statement

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

##### (e) Intangible fixed assets

Goodwill has arisen on the acquisition of the subsidiary undertakings and is the difference between the consideration given and the fair value of the net assets acquired.

Goodwill attributed to subsidiary undertakings is amortised on a straight line basis over the remaining lease period on the principal asset held by the subsidiary which expires in 2057. This period of amortisation is greater than 20 years but represents the period over which each subsidiary undertaking acquired will continue to generate operating cash flows.

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



# UPP (Alcuin) Limited

## Notes to the financial statements (continued)

### for the year ended 31 August 2011

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

##### (f) Presentation of principal asset

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

Each year the group reviews the status of these interests, in accordance with the provisions of FRS 5 (Application Note F), assessing the balance of the significant risks and rewards of ownership of the asset. The appropriate balance sheet treatment of these interests is to treat the asset as a finance receivable asset where the group does not have the majority of significant risks and rewards. Where it does, the asset is treated as a tangible fixed asset.

The directors consider the balance of the risks and rewards lies with the group and therefore the asset is treated as a tangible fixed asset.

##### (g) Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is calculated so as to write off the cost of the tangible fixed assets, less any residual value, over the expected useful economic lives of the assets concerned once construction is complete. The principal rates of depreciation used for this purpose are:

Assets for use in operating leases - annuity method over the term of the lease

The economic benefit of the principal assets for use in operating leases is the return on assets invested into the financing arrangement with the relevant university. The annuity method takes into account the cost of capital notionally invested in the principal asset. Notional interest calculated using the relevant company's actual weighted cost of capital and depreciation combined will give an approximately constant charge to revenue.

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

Where depreciation charges are increased following a revaluation, an amount equal to the increase is transferred annually from the revaluation reserve to the profit and loss account as a movement on reserves.

##### (h) Investments

Fixed asset investments are carried at cost less any provision for impairment in value.

##### (i) Impairment reviews

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

##### (j) Income recognition

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

# UPP (Alcuin) Limited

## Notes to the financial statements (continued)

### for the year ended 31 August 2011

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

##### (k) Debt issue costs

The debt issue costs incurred have been offset against the related debt and will be charged to finance costs at a constant rate on the carrying value of the debt. If it becomes clear that the related debt will be redeemed early then the charge to finance costs will be accelerated. Where there is an early repayment clause within the debt instrument, costs incurred are amortised to the profit and loss account to the earliest opportunity the debt could be repaid.

##### (l) Interest rate swaps

Interest rate swaps are used to hedge the group's exposure to movements on interest rates. The fair value of this financial instrument, which may be an asset or a liability to the group, depending upon the market rate, is not recognised in the financial statements as the group is exempt from adopting FRS 26 and has not voluntarily chosen to adopt.

The interest payable on the debt and associated interest rate swaps is accrued for within the financial statements.

Should the group terminate the interest rate swaps earlier than they mature the group may become liable to pay penalties.

##### (m) Taxation

###### (i) Current tax

The charge for current taxation for the year is based on the result for the year, adjusted for disallowable items.

###### (ii) Deferred tax

Full provision has been made for deferred taxation in respect of timing differences that have originated, but not reversed at the balance sheet date where an event has occurred that results in an obligation to pay more or less tax in the future by the balance sheet date except that:

- Provision is made for gains on disposal of assets that have been rolled over into replacement assets only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned.
- Provision is not made for the remittance of a subsidiary, associate or joint venture's earnings that would cause tax to be payable where no commitment has been made to the remittance of the earnings.
- Deferred tax assets are recognised to the extent that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the years in which the timing differences reverse, based on the tax rates enacted at the balance sheet date. Group relief is only accounted for to the extent that a formal policy is in place at the year / period end. Where no policy is in place, current and deferred tax is measured before benefits which may arise from a formal group relief policy.

**UPP (Alcuin) Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 August 2011**

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

**(n) Defined contribution pension scheme**

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

**2. Turnover**

Turnover represents income, on the basis of accounting policy 1(j), excluding VAT, attributed to the provision of student accommodation.

**3. Directors' remuneration**

The directors were paid £22,000 (2010: £21,000) in respect of services performed in connection of the management of the affairs of this group.

**4. Auditors' remuneration**

	<b>Year ended 31 August 2011 £'000</b>	Year ended 31 August 2010 £'000
Fees payable to the group's auditor for the audit of the company's annual accounts	15	15
Fees payable to the group's auditor and its associates for other services:		
Audit of the company's subsidiaries	15	15
Tax services	8	9
	<u>38</u>	<u>39</u>

**5. Employee information**

The average number of persons employed by the group during the year was as follows:

	<b>2011 Number</b>	2010 Number
Site managers (full time)	1	1
Administration, maintenance and cleaning (full and part time)	5	5
	<u>6</u>	<u>6</u>

The employment costs of all employees included above were:

	<b>Year ended 31 August 2011 £'000</b>	Year ended 31 August 2010 £'000
Wages and salaries	108	94
Social security costs	10	10
Other pension costs	4	3
	<u>122</u>	<u>107</u>

**UPP (Alcuin) Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 August 2011**

**6. Operating profit**

The operating profit is stated after charging:

	Year ended 31 August 2011 £'000	Year ended 31 August 2010 £'000
Amortisation of goodwill	94	94
Depreciation	<u>141</u>	<u>131</u>

**7. Interest receivable and similar income**

	Year ended 31 August 2011 £'000	Year ended 31 August 2010 £'000
Interest on cash balances	<u>10</u>	<u>6</u>

**8. Interest payable and similar charges**

	Year ended 31 August 2011 £'000	Year ended 31 August 2010 £'000
Bank loan interest	2,457	2,478
Subordinated loan interest	<u>530</u>	<u>530</u>
	<u>2,987</u>	<u>3,008</u>

**9. Tax on profit/(loss) on ordinary activities**

	Year ended 31 August 2011 £'000	Year ended 31 August 2010 £'000
<b>a) Analysis of charge for the year</b>		
Current tax on income for the year (note 9b)	<u>-</u>	<u>-</u>
<i>Deferred tax:</i>		
Current year	206	146
Rate difference	(50)	(17)
Adjustments to tax charge in respect of previous years	-	-
Total deferred tax (note 16)	<u>156</u>	<u>129</u>
<b>Tax on profit/(loss) on ordinary activities</b>	<u>156</u>	<u>129</u>

**UPP (Alcuin) Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 August 2011**

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

**b) Factors affecting current tax charge for the year**

The tax assessed for the year is higher (2010: higher) than the standard rate of corporation tax in the UK 27% (2010: 28%). The differences are explained below:

	<b>31 August 2011 £'000</b>	31 August 2010 £'000
Profit / (Loss) on ordinary activities before tax	<u><b>202</b></u>	<u>(445)</u>
Profit / (Loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 27% (2010: 28%)	<b>54</b>	(125)
<i>Effects of:</i>		
Disallowable expenses	<b>49</b>	49
Capital allowances in excess of depreciation	<b>(203)</b>	(143)
Unutilised tax losses	<u><b>100</b></u>	<u>219</u>
<b>Current tax charge for the year (note 9a)</b>	<u><b>-</b></u>	<u>-</u>

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

A deferred tax asset of £883,000 (2010: £850,000) in respect of available tax losses and other timing differences has not been recognised at 31 August 2011. This is due to there being no persuasive and reliable evidence available at this time of suitable profits to offset these losses.

No provision has been made for deferred tax on gains recognised on revaluing property to its market value. Such tax would become payable only if the property were sold without it being possible to claim rollover relief. The total amount unprovided is £4,898,000 (2010: £5,033,000). At present, it is not envisaged that any tax will become payable in the foreseeable future.

**UPP (Alcuin) Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 August 2011**

**10. Intangible fixed assets**

	<b>Positive Goodwill £'000</b>
<b>Cost</b>	
<b>At 1 September 2010 and at 31 August 2011</b>	<u><b>4,703</b></u>
<b>Amortisation</b>	
At 1 September 2010	(282)
Charge during the year	(94)
<b>At 31 August 2011</b>	<u><b>(376)</b></u>
<b>Net book value</b>	
<b>At 31 August 2011</b>	<u><u><b>4,327</b></u></u>
At 31 August 2010	<u><u>4,421</u></u>

Goodwill arose on the acquisition of the subsidiary undertakings during the year ended 31 August 2008.

**UPP (Alcuin) Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 August 2011**

**11. Tangible fixed assets**

	<b>Assets for use in operating leases Group £'000</b>	<b>Assets for use in operating leases Company £'000</b>
<b>Cost or valuation</b>		
At 1 September 2010 and 31 August 2011	<u><b>56,511</b></u>	<u><b>11,517</b></u>
<b>Depreciation</b>		
At 1 September 2010	(131)	(27)
Charge during the year	<u>(141)</u>	<u>(29)</u>
At 31 August 2011	<u><b>(272)</b></u>	<u><b>(56)</b></u>
<b>Net book value</b>		
At 31 August 2011	<u><b>56,239</b></u>	<u><b>11,461</b></u>
At 31 August 2010	<u>56,380</u>	<u>11,490</u>

Fixed assets include net finance costs up to the date of completion of £1,195,000 (2010: £1,195,000).

Assets used in operating leases were independently valued by JLL (formerly King Sturge), Chartered Surveyors, on an existing use basis at 31 August 2010. The valuation was completed as at 31 August 2010. JLL have confirmed that the value as at that date was £56,380,000.

The directors are not aware of any material change in value of the assets used in operating leases, therefore the valuation has not been updated from the JLL valuation of 2010.

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

	<b>Assets for use in operating leases Group 31 August 2011 £'000</b>	<b>Assets for use in operating leases Company 31 August 2011 £'000</b>	<b>Assets for use in operating leases Group 31 August 2010 £'000</b>	<b>Assets for use in operating leases Company 31 August 2010 £'000</b>
Cost	<b>38,197</b>	<b>16,605</b>	38,197	16,605
Depreciation	<b>(342)</b>	<b>(149)</b>	(247)	(107)
Net book value	<u><b>37,855</b></u>	<u><b>16,456</b></u>	<u>37,950</u>	<u>16,498</u>

**UPP (Alcuin) Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 August 2011**

**12. Fixed asset investments**

Company	Share Holding %	Class of Shares	Interest in subsidiary undertakings £'000
At 1 September 2010 and at 31 August 2011	100	Ordinary	<u>1,500</u>

The fixed asset investment value above represents the carrying value of the company's investment in its subsidiary undertaking UPP (York) Limited.

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

	31 August 2011 £'000 Group	31 August 2011 £'000 Company	31 August 2010 £'000 Group	31 August 2010 £'000 Company
Amounts due from subsidiary undertaking	-	21,955	-	22,873
Prepayments and accrued income	4	1	5	2
	<u>4</u>	<u>21,956</u>	<u>5</u>	<u>22,875</u>

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

	31 August 2011 £'000 Group	31 August 2011 £'000 Company	31 August 2010 £'000 Group	31 August 2010 £'000 Company
Bank loans	54	54	52	52
Trade creditors	-	-	4	-
Amount owed to related parties	531	200	201	148
Amounts owed to group undertakings	71	27	450	237
Amounts owed to parent company	263	263	272	272
Accruals & deferred income	1,988	1,666	1,690	1,389
	<u>2,907</u>	<u>2,210</u>	<u>2,669</u>	<u>2,098</u>



**UPP (Alcuin) Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 August 2011**

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

	Year ended 31 August 2011 £'000 Group & Company	Year ended 31 August 2010 £'000 Group & Company
Senior debt	39,749	39,801
Secured subordinated loan notes	3,989	3,989
	<u>43,738</u>	<u>43,790</u>
Less: included in creditors amounts falling due within one year	(54)	(52)
	<u>43,684</u>	<u>43,738</u>
<b>Maturity of debt</b>		
Repayable within one year or on demand	54	52
Repayable in more than one year but less than two years	39,716	54
Repayable in more than two years but less than five years	11	39,723
Repayable in more than five years	3,957	3,961
	<u>43,738</u>	<u>43,790</u>
Less: included in creditors amounts falling due within one year	(54)	(52)
	<u>43,684</u>	<u>43,738</u>

The senior facility of £39,863,000 is fully utilised.

**Senior debt**

The senior debt is provided by Barclays Bank Plc and is repayable by 7 September 2012 with principal repayments commencing on 30 November 2007. The interest rate is fixed via a swap at a rate of 5.62% plus a variable margin.

The senior debt is secured by way of a first fixed charge over the tangible fixed asset. Furthermore, the terms of the finance agreement provide that the lender will seek repayment of the finance, as to both principal and interest, only to the extent that sufficient funds are generated by the specific asset financed and it will not seek recourse to the group in any other form. The group is not obliged to support any losses, nor does it intend to do so.

**Secured subordinated loan notes**

The subordinated loan notes are provided by UPP Group Limited and The University of York. The loan notes are subject to the same security as the senior debt facilities but are subordinated to the right of payment of senior debt providers.

The loan notes will be repaid by 2057 and are subject to an effective interest rate of 13.28%.

**UPP (Alcuin) Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 August 2011**

**16. Provisions for liabilities**

	<b>31 August 2011 £'000 Group</b>	<b>31 August 2011 £'000 Company</b>	<b>31 August 2010 £'000 Group</b>	<b>31 August 2010 £'000 Company</b>
<b>Deferred tax liability</b>				
At 1 September	470	-	341	-
Charged to profit & loss account	156	-	129	-
<b>At 31 August</b>	<b>626</b>	<b>-</b>	<b>470</b>	<b>-</b>
	<b>31 August 2011 £'000 Group</b>	<b>31 August 2011 £'000 Company</b>	<b>31 August 2010 £'000 Group</b>	<b>31 August 2010 £'000 Company</b>
<b>Deferred tax</b>				
The deferred tax liability consists of:				
Accelerated capital allowances	1,520	895	1,440	970
Other timing differences	(894)	(895)	(970)	(970)
<b>Total deferred tax liability</b>	<b>626</b>	<b>-</b>	<b>470</b>	<b>-</b>

**17. Called up share capital**

	<b>31 August 2011 £'000</b>	<b>31 August 2010 £'000</b>
<b>Authorised</b>		
389,001 A Ordinary shares of £1 each	389	389
110,000 B Ordinary shares of £1 each	110	110
	<b>499</b>	<b>499</b>
<b>Allotted, called up and fully paid</b>		
343,201 A Ordinary shares of £1 each	343	343
96,800 B Ordinary shares of £1 each	97	97
	<b>440</b>	<b>440</b>

“A” and “B” shares rank pari passu in all respects.

**UPP (Alcuin) Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 August 2011**

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

**(a) Group**

	Share capital £'000	Revaluation reserve £'000	Profit & loss account £'000	Total shareholders' funds £'000
At 1 September 2010	440	18,430	(1,963)	16,907
Transfer to profit and loss	-	(46)	46	-
Profit for the year	-	-	46	46
<b>At 31 August 2011</b>	<b>440</b>	<b>18,384</b>	<b>(1,871)</b>	<b>16,953</b>

**(b) Company**

	Share capital £'000	Revaluation reserve £'000	Profit & loss account £'000	Total shareholders' deficit £'000
At 1 September 2010	440	(5,008)	(2,425)	(6,993)
Transfer to profit and loss	-	13	(13)	-
Loss for the year	-	-	(384)	(384)
<b>At 31 August 2011</b>	<b>440</b>	<b>(4,995)</b>	<b>(2,822)</b>	<b>(7,377)</b>

**19. Parent undertaking and controlling party**

The company is owned by UPP Group Limited and the University of York.

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

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

The smallest group of which the company is a member and for which group accounts are prepared is UPP (Alcuin) Limited.

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

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

# UPP (Alcuin) Limited

## Notes to the financial statements (continued)

### for the year ended 31 August 2011



#### 20. Related party transactions

UPP Group Limited and UPP Residential Services Limited are subsidiaries of Alma Mater. Therefore the directors consider that UPP Group Limited, UPP Residential Services Limited and the University of York are related companies.

##### Group

The group incurred costs of £1,049,000 (2010: £978,000) in respect to services provided by the University of York and income of £5,134,000 (2010: £4,953,000) in respect to services provided to the university. An amount of £531,000 (2010: £138,000) remains outstanding at the balance sheet date and is included within creditors falling due within one year.

The group incurred costs of £594,000 (2010: £1,070,000) in respect of services provided by UPP Residential Services Limited. An amount of £65,000 (2010: £449,000) remains outstanding at the balance sheet date and is included within creditors falling due within one year.

The group incurred costs of £279,000 (2010: £278,000) in respect of services provided by UPP Group Limited. An amount of £263,000 (2010: £272,000) remained outstanding at the balance sheet date and was included within creditors falling due within one year.

##### Company

The company incurred costs of £286,000 (2010: £272,000) in respect to services provided by the University of York and income of £1,161,000 (2010: £1,127,000) in respect to services provided to the university. An amount of £200,000 (2010: £84,000) remains outstanding at the balance sheet date and is included within creditors falling due within one year.

The company incurred costs of £174,000 (2010: £400,000) in respect of services provided by UPP Residential Services Limited. An amount of £21,000 (2010: £122,000) remains outstanding at the balance sheet date and is included within creditors falling due within one year.

The company incurred costs of £279,000 (2010: £278,000) in respect of services provided by UPP Group Limited. An amount of £263,000 (2010: £272,000) remained outstanding at the balance sheet date and was included within creditors falling due within one year.

**UPP (Broadgate Park) Holdings Limited  
Report and financial statements**

**For the year ended 31 August 2012**

# UPP (Broadgate Park) Holdings Limited Report and financial statements for the year ended 31 August 2012



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# UPP (Broadgate Park) Holdings Limited

## Directors and advisors



### Directors

G Behr  
J Benkel  
S O'Shea

### Secretary

J Benkel

### Auditor

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

### Registered office

40 Gracechurch Street  
London  
EC3V 0BT

# UPP (Broadgate Park) Holdings Limited

## Directors' report

### for the year ended 31 August 2012



The directors present their report and the company and group financial statements for the year ended 31 August 2012.

#### Results, principal activity and review of the business

The company acts as a holding company for UPP (Broadgate Park) Limited. The company and group's principal activity is the development of student accommodation rooms via estate transfer and direct construction methods. The rooms are leased to its subsidiary undertaking UPP (Broadgate Park) Limited for letting to students.

Both the level of business and the year end financial position were in accordance with the directors' expectations. The directors anticipate that the future level of activity will be in accordance with their expectations and consider that the project will yield returns in line with current forecasts.

The group loss for the year attributable to shareholders and reported in the financial statements is £1,889,000 (2011: £1,455,000).

#### Going concern

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

As disclosed in note 13, the senior debt facility of £82.8m is due for repayment on 31 August 2013. The directors are currently in the process of negotiating the refinancing of this debt and exploring other means of finance to obtain the best possible terms of finance for the company. Whilst there is a degree of uncertainty as to the outcome of these negotiations, the directors have confidence at this stage that they will be successful.

#### Key performance indicators

The company is the holding company for its subsidiary undertaking UPP (Broadgate Park) Limited. The following are considered by the Directors to be indicators of performance of the subsidiary undertaking that are not necessarily evident from the financial statements.

	2011/12	2010/11
Applications : acceptance ratio	7.25:1	7.09:1
Core demand pool (no. of students)	24,550	23,620

The indicators above are directly related to performance of the University of Nottingham and any changes in these statistics may potentially affect the performance of UPP (Broadgate Park) Holdings Limited and its subsidiary company UPP (Broadgate Park) Limited. The group therefore monitors these indicators on an annual basis for any significant changes. The applications to acceptance ratio has increased in comparison to the prior year. The directors are satisfied that the movements noted above are within tolerable limits.

#### Post balance sheet events

On 12 September 2012, UPP Group Holdings Limited, the largest group of which the company is a member, had a 60% stake acquired by PGGM Vermogensbeheer BV ("PGGM"). PGGM is incorporated in the Netherlands. The largest group of which the company is a member will remain UPP Group Holdings Limited.



# UPP (Broadgate Park) Holdings Limited Directors' report (continued) for the year ended 31 August 2012

## Financial risk management objectives and policies

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

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

### Interest rate risk

The group finances its operations through a mixture of retained profits and bank borrowings. The group exposure to interest rate fluctuations on its bank borrowings is managed by the use of interest swaps which fix variable interest rates for a period of time.

### Liquidity risk

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

The maturity of borrowings is set out in note 13 to the financial statements.

### Demand risk

The group is subjected to risks arising from occupancy voids and no nominations by the university partners which can lead to uncertain revenues. This risk is managed by cementing relationships with the university, improved marketing of accommodation and improved third party revenues to compensate for any shortfalls in rental income.

### Portfolio risk

The assets of the group are in the student market and reduced student numbers could impact upon financial performance. The group seeks to mitigate this risk by building excellent long term relationships with its university partner and ensuring up to date in depth market analysis is completed each year to enable the company to review its strategic position.

## Dividend

The directors are unable to propose the payment of a dividend (2011: £Nil).

## Directors and their interests

The directors holding office during the year ended 31 August 2012 and subsequently are:

G Behr	
J Benkel	
A Clapp	(Resigned 13 September 2012)
R McClatchey	(Resigned 12 September 2012)
S O'Shea	

At 31 August 2012, none of the directors had any beneficial interests in the shares of the company or in any of the group companies.

# UPP (Broadgate Park) Holdings Limited Directors' report (continued) for the year ended 31 August 2012

## Creditor payment terms

When entering into commitments for the purchase of services and goods, the group gives due consideration to quality, price and the terms of payment. Suppliers are made aware of these terms. The group abides by these terms whenever it is satisfied that suppliers have provided the services or goods in accordance with such agreed terms and conditions. In the event of disputes, efforts are made to resolve these quickly. The average creditor days in the year were 25 days (2011: 28 days).

## Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). 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 and profit or loss of the company and group 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.

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

In so far as each of the directors is aware:

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's and group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Auditor

Having passed elective resolutions of the shareholders the company is exempt from the obligation to annually re-appoint auditors and to hold annual general meetings. Accordingly the board recommend that Grant Thornton UK LLP continue in office as auditor to the company.

On behalf of the Board



**G Behr**  
Director  
26 October 2012

## Report of the independent auditor report to the members of UPP (Broadgate Park) Holdings Limited

We have audited the financial statements of UPP (Broadgate Park) Holdings Limited for the year ended 31 August 2012 which comprise the consolidated profit and loss account, consolidated statement of total recognised gains and losses, consolidated note of historical cost profits and losses, the consolidated and parent company balance sheets and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, 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 (APB'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 APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 August 2012 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Emphasis of matter - Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in the going concern paragraph included in the accounting policies in the financial statements concerning the company's ability to continue as a going concern. The company is due to repay its senior debt facility of £82.8m on 31 August 2013 and the directors are currently in the process of negotiating the refinancing of this debt and exploring other means of finance to obtain the best possible terms of finance for the company. These conditions, along with the other matters explained in the going concern paragraph included in the accounting policies to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

## Report of the independent auditor to the members of UPP (Broadgate Park) Holdings Limited (continued)

### Opinion on other matter prescribed by the Companies Act 2006

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

### Matters on which we are required to report by exception

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

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



**Giles Mullins**  
**Senior Statutory Auditor**  
**For and on behalf of Grant Thornton UK LLP**  
**Statutory Auditors, Chartered Accountants**  
**Central Milton Keynes**

29 October 2012

# UPP (Broadgate Park) Holdings Limited

## Consolidated profit and loss account

### for year ended 31 August 2012

	Notes	Year ended 31 August 2012 £'000	Year ended 31 August 2011 £'000
Turnover	2	10,440	10,287
Cost of sales		<u>(3,047)</u>	<u>(2,890)</u>
<b>Gross profit</b>		<b>7,393</b>	7,397
Operating expenses		<u>(1,679)</u>	<u>(1,600)</u>
<b>Operating profit</b>	6	<b>5,714</b>	5,797
Interest payable & similar charges	7	<u>(7,303)</u>	<u>(7,252)</u>
<b>Loss on ordinary activities before taxation</b>		<b>(1,589)</b>	(1,455)
Tax charge on loss on ordinary activities	8	<u>(300)</u>	-
<b>Loss for the financial year</b>	16(a)	<b><u>(1,889)</u></b>	<b><u>(1,455)</u></b>

The above results all relate to continuing operations.

**UPP (Broadgate Park) Holdings Limited**  
**Consolidated statement of total recognised gains**  
**and losses for year ended 31 August 2012**



		Year ended 31 August 2012 £'000	Year ended 31 August 2011 £'000
	Notes		
Loss for the financial year	16(a)	<b>(1,889)</b>	(1,455)
Revaluation of principal asset	16(a)	<b>1,954</b>	-
<b>Total recognised gains and losses relating to the year</b>		<b>65</b>	<b>(1,455)</b>

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

	Year ended 31 August 2012 £'000	Year ended 31 August 2011 £'000
Reported loss on ordinary activities before taxation	<b>(1,589)</b>	(1,455)
Difference between historical cost depreciation charge and the actual depreciation charge of the year calculated at the revalued amount.	<b>59</b>	55
<b>Historical cost loss on ordinary activities before taxation</b>	<b>(1,530)</b>	<b>(1,400)</b>

**UPP (Broadgate Park) Holdings Limited**  
**Consolidated balance sheet**  
**as at 31 August 2012**

	Notes	31 August 2012 £'000	31 August 2011 £'000
<b>Fixed assets</b>			
Tangible assets	9	101,400	100,069
<b>Current assets</b>			
Debtors: amounts falling due within one year	11	65	70
Cash at bank and in hand		4,585	5,264
		<u>4,650</u>	<u>5,334</u>
Creditors: amounts falling due within one year	12	(89,244)	(6,136)
<b>Net current liabilities</b>		<u>(84,594)</u>	<u>(802)</u>
<b>Total assets less current liabilities</b>		<u>16,806</u>	<u>99,267</u>
Creditors: amounts falling due after more than one year	13	(22,137)	(104,963)
<b>Provisions for liabilities and charges</b>	14	(300)	-
		<u>(5,631)</u>	<u>(5,696)</u>
<b>Share capital and reserves</b>			
Called up share capital	15	702	702
Revaluation reserve	16(a)	11,412	9,517
Profit and loss account	16(a)	(17,745)	(15,915)
		<u>(5,631)</u>	<u>(5,696)</u>

The financial statements were approved by the board on 26 October 2012  
 and were signed on its behalf by:

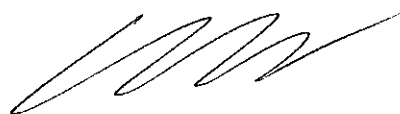


**G Behr**  
**Director**

**UPP (Broadgate Park) Holdings Limited**  
**Company balance sheet**  
**as at 31 August 2012**

	Notes	31 August 2012 £'000	31 August 2011 £'000
<b>Fixed assets</b>			
Tangible assets	9	101,400	100,069
Investments	10	-	-
		<u>101,400</u>	<u>100,069</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	11	2,971	3,776
Cash at bank and in hand		69	24
		<u>3,040</u>	<u>3,800</u>
Creditors: amounts falling due within one year	12	(86,897)	(3,948)
<b>Net current liabilities</b>		<u>(83,857)</u>	<u>(148)</u>
<b>Total assets less current liabilities</b>		<u>17,543</u>	<u>99,921</u>
Creditors: amounts falling due after more than one year	13	(22,137)	(104,963)
<b>Provisions for liabilities and charges</b>	14	(300)	-
		<u>(4,894)</u>	<u>(5,042)</u>
<b>Share capital and reserves</b>			
Called up share capital	15	702	702
Revaluation reserve	16 (b)	11,412	9,517
Profit and loss account	16(b)	(17,008)	(15,261)
		<u>(4,894)</u>	<u>(5,042)</u>

The financial statements were approved by the board on 26 October 2012  
 and were signed on its behalf by:



**G Behr**  
**Director**

**Registered No: 04647273**



# UPP (Broadgate Park) Holdings Limited

## Notes to the financial statements

### for the year ended 31 August 2012

#### 1. Principal accounting policies

##### (a) Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of fixed assets, and in accordance with applicable accounting standards and the Companies Act 2006. The accounting policies remain unchanged from the previous year.

##### (b) Going concern

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

As disclosed in note 13, the senior debt facility of £82.8m is due for repayment on 31 August 2013. The directors are currently in the process of negotiating the refinancing of this debt and exploring other means of finance to obtain the best possible terms of finance for the company. Whilst there is a degree of uncertainty as to the outcome of these negotiations, the directors have confidence at this stage that they will be successful.

##### (c) Basis of consolidation

The group financial statements consolidate the financial statements of UPP (Broadgate Park) Holdings Limited and its subsidiary undertaking prepared to 31 August each year using the acquisition method from the date control passes to the group. No profit and loss account is presented for UPP (Broadgate Park) Holdings Limited as permitted by section 408 of the Companies Act 2006. The loss dealt with in the company for the financial year was £1,806,000 (2011: £1,420,000).

##### (d) Cash flow statement

The group has taken advantage of the exemption available under FRS 1 (revised) and has not prepared a cash flow statement by virtue of being a wholly owned subsidiary of UPP Group Holdings Limited.

##### (e) Presentation of principal asset

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

Each year the group reviews the status of these interests, in accordance with the provisions of FRS 5 (Application Note F), assessing the balance of the significant risks and rewards of ownership of the asset. The appropriate balance sheet treatment of these interests is to treat the asset as a finance receivable asset where the relevant company does not have the majority of significant risks and rewards. Where it does, the asset is treated as a tangible fixed asset.

# UPP (Broadgate Park) Holdings Limited

## Notes to the financial statements (continued)

### for the year ended 31 August 2012

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

##### (f) Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is calculated so as to write off the cost of the tangible fixed assets, less any residual value, over the expected useful economic lives of the assets concerned once construction is complete. The principal rates of depreciation used for this purpose are:

Assets for use in operating leases - annuity method over the term of the lease

The economic benefit of the principal assets for use in operating leases is the return on assets invested into the financing arrangement with the relevant university. The annuity method takes into account the cost of capital notionally invested in the principal asset. Notional interest calculated using the relevant company's actual weighted cost of capital and depreciation combined will give an approximately constant charge to revenue.

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

Where depreciation charges are increased following a revaluation, an amount equal to the increase is transferred annually from the revaluation reserve to the profit and loss account as a movement on reserves.

##### (g) Investments

Fixed asset investments are carried at cost less any provision for impairment in value.

##### (h) Impairment reviews

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

##### (i) Income recognition

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

##### (j) Debt issue costs

The debt issue costs incurred have been offset against the related debt and will be charged to finance costs at a constant rate on the carrying value of the debt. If it becomes clear that the related debt will be redeemed early then the charge to finance costs will be accelerated. Where there is an early repayment clause within the debt instrument, costs incurred are amortised to the profit and loss account to the earliest opportunity the debt could be repaid.

# UPP (Broadgate Park) Holdings Limited

## Notes to the financial statements (continued)

### for the year ended 31 August 2012

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

##### (k) Interest rate swaps

Interest rate swaps are used to hedge the group's exposure to movements on interest rates. The fair value of this financial instrument, which may be an asset or a liability to the group, depending upon the market rate, is not recognised in the financial statements as the group is exempt from adopting FRS 26 and has not voluntarily chosen to adopt.

The interest payable on the debt and associated interest rate swaps is accrued for within the financial statements.

Should the group terminate the interest rate swaps earlier than they mature the group may become liable to pay penalties.

##### (l) Taxation

###### (i) Current tax

The charge for current taxation for the year is based on the result for the year, adjusted for disallowable items.

###### (ii) Deferred tax

Full provision has been made for deferred taxation in respect of timing differences that have originated, but not reversed at the balance sheet date where an event has occurred that results in an obligation to pay more or less tax in the future by the balance sheet date except that:

- Provision is made for gains on disposal of assets that have been rolled over into replacement assets only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned.
- Provision is not made for the remittance of a subsidiary, associate or joint venture's earnings that would cause tax to be payable where no commitment has been made to the remittance of the earnings.
- Deferred tax assets are recognised to the extent that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the years in which the timing differences reverse, based on the tax rates enacted at the balance sheet date. Group relief is only accounted for to the extent that a formal policy is in place at the year end. Where no policy is in place, current and deferred tax is measured before benefits which may arise from a formal group relief policy.

##### (m) Related party transactions

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

##### (n) Defined contribution pension scheme

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

# UPP (Broadgate Park) Holdings Limited

## Notes to the financial statements (continued)

### for the year ended 31 August 2012



#### 2. Turnover

Turnover represents income, on the basis of accounting policy 1(i), excluding VAT, attributed to the provision of student accommodation.

#### 3. Directors' remuneration

The directors accrued £nil (2011: £nil) in respect of services performed in connection of the management of the affairs of this group.

#### 4. Auditors' remuneration

	Year ended 31 August 2012 £'000	Year ended 31 August 2011 £'000
Fees payable to the Group's auditor for the audit of the company's annual accounts	11	10
Fees payable to the Group's auditor and its associates for other services:		
Audit of the company's subsidiaries	16	15
Tax compliance services	8	8
	<u>35</u>	<u>33</u>

#### 5. Employee information

	2012 Number	2011 Number
The average number of persons employed by the group during the year was as follows:		
Site managers (full time)	2	2
Administration, maintenance and cleaning (full and part time)	61	57
	<u>63</u>	<u>59</u>

The employment costs of all employees included above were:

	Year ended 31 August 2012 £'000	Year ended 31 August 2011 £'000
Wages and salaries	1,059	995
Social security costs	89	81
Other pension costs	34	19
	<u>1,182</u>	<u>1,095</u>

**UPP (Broadgate Park) Holdings Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 August 2012**

**6. Operating profit**

The operating profit is stated after charging:

	Year ended 31 August 2012 £'000	Year ended 31 August 2011 £'000
Depreciation	<u>623</u>	<u>582</u>

**7. Interest payable and similar charges**

	Year ended 31 August 2012 £'000	Year ended 31 August 2011 £'000
Bank loan interest	5,247	5,234
Subordinated loan interest	<u>2,056</u>	<u>2,018</u>
	<u>7,303</u>	<u>7,252</u>

**8. Tax on loss on ordinary activities**

	Year ended 31 August 2012 £'000	Year ended 31 August 2011 £'000
<b>a) Analysis of charge for the year</b>		
Current tax on income for the year (note 8b)	<u>-</u>	<u>-</u>
<i>Deferred tax:</i>		
Current year (note 14)	300	-
<b>Tax charge on loss on ordinary activities</b>	<u>300</u>	<u>-</u>

**UPP (Broadgate Park) Holdings Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 August 2011**

**8. Tax on loss on ordinary activities (continued)**

**b) Factors affecting current tax charge for the year**

The tax assessed for the year is lower (2011: lower) than the standard rate of corporation tax in the UK 25% (2011: 27%). The differences are explained below:

	Year ended 31 August 2012 £'000	Year ended 31 August 2011 £'000
Loss on ordinary activities before tax	<u>(1,589)</u>	<u>(1,455)</u>
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 25% (2011: 27%)	(397)	(395)
<i>Effects of:</i>		
Disallowable expenses	88	89
Capital allowances in excess of depreciation	(6)	(10)
Group relief (claimed) / surrendered not paid for	-	-
Unutilised tax losses	315	316
Non-taxable income	-	-
<b>Current tax charge for the year (note 8a)</b>	<u>-</u>	<u>-</u>

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

A deferred tax asset of £1,170,000 (2011: £1,058,000) in respect of available tax losses has not been recognised at 31 August 2012. This is due to there being no persuasive and reliable evidence available at this time of suitable profits to offset these losses.

No provision has been made for deferred tax on gains recognised on revaluing property to its market value. Such tax would become payable only if the property were sold without it being possible to claim rollover relief. The total amount unprovided is £nil (2011: £nil). At present, it is not envisaged that any tax will become payable in the foreseeable future.

**9. Tangible fixed assets**

Group and Company	Assets for use in operating leases £'000
<b>Cost or valuation</b>	
At 1 September 2011	101,192
Revaluation	208
<b>At 31 August 2012</b>	<u><b>101,400</b></u>
<b>Depreciation</b>	
At 1 September 2011	(1,123)
Charge during the year	(623)
Revaluation	1,746
<b>At 31 August 2012</b>	<u><b>-</b></u>
<b>Net book value</b>	
<b>At 31 August 2012</b>	<u><b>101,400</b></u>
At 31 August 2011	<u>100,069</u>

# UPP (Broadgate Park) Holdings Limited

## Notes to the financial statements (continued)

### for the year ended 31 August 2012

#### 9. Tangible fixed assets (continued)

Fixed assets include finance costs up to the date of completion of £4,693,000.

Assets used in operating leases were independently valued by Jones Lange LaSalle ("JLL"), Chartered Surveyors, on an existing use basis at 31 August 2012 with subsequent additions at cost. The valuation was completed as at 31 August 2012. JLL have confirmed that the value as at that date was £101,400,000.

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

	<b>Assets for use in operating leases 31 August 2012 £'000</b>	<b>Assets for use in operating leases 31 August 2011 £'000</b>
Cost	<b>100,314</b>	100,314
Depreciation	<b>(10,326)</b>	(9,762)
Net book value	<b><u>89,988</u></b>	<u>90,552</u>

#### 10. Fixed asset investments

<b>Company</b>	<b>Interest in subsidiary undertaking £</b>
At 1 September 2011 and at 31 August 2012	<u><u>2</u></u>

The fixed asset investment value above represents the carrying value of the company's investment in UPP (Broadgate Park) Limited. The company owns 100% of the issued share capital of UPP (Broadgate Park) Limited, which is involved in the provision of student accommodation.

#### 11. Debtors: amounts falling due within one year

	<b>31 August 2012 Group £'000</b>	<b>31 August 2012 Company £'000</b>	<b>31 August 2011 Group £'000</b>	<b>31 August 2011 Company £'000</b>
Amounts due from subsidiary company	-	<b>2,907</b>	-	3,715
VAT recoverable	<b>43</b>	<b>45</b>	45	45
Prepayments and accrued income	<b>22</b>	<b>19</b>	25	16
	<b><u>65</u></b>	<b><u>2,971</u></b>	<u>70</u>	<u>3,776</u>

**UPP (Broadgate Park) Holdings Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 August 2012**

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

	31 August 2012 Group £'000	31 August 2012 Company £'000	31 August 2011 Group £'000	31 August 2011 Company £'000
Bank loans	82,826	82,826	26	26
Trade creditors	79	-	49	-
Amounts owed to group undertakings	791	-	1,045	315
Amounts owed to parent company	2,243	2,134	2,466	2,358
Accruals and deferred income	3,305	1,937	2,550	1,249
	<u>89,244</u>	<u>86,897</u>	<u>6,136</u>	<u>3,948</u>

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

	31 August 2012 Group & Company £'000	31 August 2011 Group & Company £'000
Senior debt	82,826	82,852
Secured subordinated loan notes	22,137	22,137
	<u>104,963</u>	<u>104,989</u>
Less: included in creditors	<u>(82,826)</u>	<u>(26)</u>
	<u>22,137</u>	<u>104,963</u>

**Maturity of debt**

Repayable within one year or on demand	82,826	26
Repayable in more than one year but less than two years	-	82,826
Repayable in more than two years but less than five years	-	-
Repayable in more than five years	22,137	22,137
	<u>104,963</u>	<u>104,989</u>
Less: included in creditors	<u>(82,826)</u>	<u>(26)</u>
	<u>22,137</u>	<u>104,963</u>

The loan amounts drawn down to date of £105,014,000 (2011: £105,014,000) are part of a total agreed facility of £105,014,000.



**UPP (Broadgate Park) Holdings Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 August 2012**

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

**Senior debt**

The senior debt is repayable by 31 August 2013 with principal repayments commencing 28 February 2011. The interest rate is fixed via a swap at 4.96% plus a variable margin.

The senior debt is secured by way of a first fixed charge over the tangible fixed asset. Furthermore, the terms of the finance agreement provide that the lender will seek repayment of the finance, as to both principal and interest, only to the extent that sufficient funds are generated by the specific asset financed and it will not seek recourse to the group in any other form. The group is not obliged to support any losses, nor does it intend to do so.

**Subordinated loan debt**

The subordinated loan notes are provided by UPP Group Limited and will be repaid by 31 August 2048. The subordinated loans are subordinated to the right of payment of senior debt providers with an interest rate payable of between 5.65% and 11.2% per annum over the term of the loan notes.

**14. Provisions for liabilities**

	<b>31 August 2012 £'000 Group</b>	<b>31 August 2012 £'000 Company</b>	31 August 2011 £'000 Group	31 August 2011 £'000 Company
<b>Deferred tax liability</b>				
At 1 September	-	-	-	-
Charged to profit & loss account	<b>300</b>	<b>300</b>	-	-
<b>At 31 August</b>	<b>300</b>	<b>300</b>	-	-

	<b>31 August 2012 £'000 Group</b>	<b>31 August 2012 £'000 Company</b>	31 August 2011 £'000 Group	31 August 2011 £'000 Company
<b>Deferred tax</b>				
The deferred tax liability consists of:				
Accelerated capital allowances	<b>1,301</b>	<b>1,380</b>	1,407	1,493
Other timing differences	<b>(1,001)</b>	<b>(1,080)</b>	(1,407)	(1,493)
<b>Total deferred tax liability</b>	<b>300</b>	<b>300</b>	-	-

**UPP (Broadgate Park) Holdings Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 August 2012**

**15. Called up share capital**

	<b>31 August 2012</b> <b>Group and</b> <b>Company</b> <b>£'000</b>	31 August 2011 Group and Company £'000
<b>Authorised</b>		
702,400 Ordinary shares of £1 each	<u>702</u>	<u>702</u>
	<u><b>702</b></u>	<u><b>702</b></u>
<b>Allotted, called up and fully paid</b>		
702,400 Ordinary shares of £1 each	<u>702</u>	<u>702</u>
	<u><b>702</b></u>	<u><b>702</b></u>

**16. Reconciliation of shareholders' deficit and movement on reserves**

**(a) Group**

	Share capital £'000	Revaluation reserve £'000	Profit & loss account £'000	Total shareholders' deficit £'000
At 1 September 2011	702	9,517	(15,915)	(5,696)
Transfer to profit and loss	-	(59)	59	-
Revaluation	-	1,954	-	1,954
Loss for the year	-	-	(1,889)	(1,889)
<b>At 31 August 2012</b>	<u><b>702</b></u>	<u><b>11,412</b></u>	<u><b>(17,745)</b></u>	<u><b>(5,631)</b></u>

**(b) Company**

	Share capital £'000	Revaluation reserve £'000	Profit & loss account £'000	Total shareholders' deficit £'000
At 1 September 2011	702	9,517	(15,261)	(5,042)
Transfer to profit and loss	-	(59)	59	-
Revaluation	-	1,954	-	1,954
Loss for the year	-	-	(1,806)	(1,806)
<b>At 31 August 2012</b>	<u><b>702</b></u>	<u><b>11,412</b></u>	<u><b>(17,008)</b></u>	<u><b>(4,894)</b></u>

# UPP (Broadgate Park) Holdings Limited

## Notes to the financial statements (continued)

### for the year ended 31 August 2012



#### 17. Parent undertaking and controlling party

UPP (Broadgate Park) Holdings Limited is owned by UPP Group Limited, which is a wholly owned subsidiary of UPP Group Holdings Limited.

UPP Group Holdings Limited is controlled by a 60% stake held by PGGM Vermogensbeheer BV ("PGGM"). The remaining 40% is held by The Alma Mater Fund LP (acting through its general partner Barclays Alma Mater General Partner Limited), Barclays European Infrastructure Fund (UPP) LP (acting through its general partner Barclays European Infrastructure Limited) and Barclays European Infrastructure Fund II LP (acting through its Barclays European Infrastructure II Limited). The Alma Mater Fund LP and Barclays Alma Mater General Partner Limited are collectively referred to as 'Alma Mater'.

It is the directors' opinion that the ultimate controlling party changed from Alma Mater to PGGM on 12 September 2012.

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

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

#### 18. Post balance sheet events

On 12 September 2012, UPP Group Holdings Limited, the largest group of which the company is a member, had a 60% stake acquired by PGGM. PGGM is incorporated in the Netherlands. The largest group of which the company is a member will remain UPP Group Holdings Limited.

**UPP (Broadgate Park) Holdings Limited  
Report and financial statements**

**For the year ended 31 August 2011**

# UPP (Broadgate Park) Holdings Limited Report and financial statements for the year ended 31 August 2011



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# UPP (Broadgate Park) Holdings Limited

## Directors and advisors



### Directors

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

### Secretary

J Benkel

### Auditor

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

### Registered office

40 Gracechurch Street  
London  
EC3V 0BT

# UPP (Broadgate Park) Holdings Limited

## Directors' report

### for the year ended 31 August 2011



The directors present their report and the company and group financial statements for the year ended 31 August 2011.

#### Results, principal activity and review of the business

The company acts as a holding company for UPP (Broadgate Park) Limited. The company and group's principal activity is the development of student accommodation rooms via estate transfer and direct construction methods. The rooms are leased to its subsidiary undertaking UPP (Broadgate Park) Limited for letting to students.

Both the level of business and the year end financial position were in accordance with the directors' expectations. The directors anticipate that the future level of activity will be in accordance with their expectations and consider that the project will yield returns in line with current forecasts.

The group loss for the year attributable to shareholders and reported in the financial statements is £1,455,000 (2010 profit: £3,630,000).

#### Going concern

The directors have reviewed the company's and the group's projected profits and cash flows which they have prepared on the basis of a detailed analysis of the company's and the group's finances, contracts and likely future demand trends. The group and the company have net liability positions and the company has received confirmation from its immediate parent undertaking that it will provide the necessary financial support to ensure it can meet its liabilities as they fall due. Therefore, after consideration of the projections and the group's and the company's financial position the directors consider that the group and 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.

#### Key performance indicators

The company is the holding company for its subsidiary undertaking UPP (Broadgate Park) Limited. The following are considered by the Directors to be indicators of performance of the subsidiary undertaking that are not necessarily evident from the financial statements.

	2010/11	2009/10
Applications : acceptance ratio	7.09:1	6.08:1
Core demand pool (no. of students)	23,620	22,585

The indicators above are directly related to performance of the University of Nottingham and any changes in these statistics may potentially affect the performance of UPP (Broadgate Park) Holdings Limited and its subsidiary company UPP (Broadgate Park) Limited. The group therefore monitors these indicators on an annual basis for any significant changes. The applications to acceptance ratio has increased in comparison to the prior year. The directors are satisfied that the movements noted above are within tolerable limits.

# UPP (Broadgate Park) Holdings Limited Directors' report (continued) for the year ended 31 August 2011



## Financial risk management objectives and policies

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

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

### Interest rate risk

The group finances its operations through a mixture of retained profits and bank borrowings. The group exposure to interest rate fluctuations on its bank borrowings is managed by the use of interest swaps which fix variable interest rates for a period of time.

### Liquidity risk

The group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and debt servicing and to invest cash assets safely and profitably. The maturity of borrowings is set out in note 13 to the financial statements.

### Demand risk

The group is subjected to risks arising from occupancy voids and no nominations by the university partners which can lead to uncertain revenues. This risk is managed by cementing relationships with the university, improved marketing of accommodation and improved third party revenues to compensate for any shortfalls in rental income.

### Portfolio risk

The assets of the group are in the student market and reduced student numbers could impact upon financial performance. The group seeks to mitigate this risk by building excellent long term relationships with its university partner and ensuring up to date in depth market analysis is completed each year to enable the company to review its strategic position.

## Dividend

The directors are unable to propose the payment of a dividend (2010: £Nil).

## Directors and their interests

The directors holding office during the year ended 31 August 2011 and subsequently are:

M Allen	(Resigned 18 February 2011)
G Behr	
J Benkel	(Appointed 18 February 2011)
A Clapp	
R McClatchey	(Appointed 17 June 2011)
S O'Shea	

At 31 August 2011, none of the directors had any beneficial interests in the shares of the company or in any of the group companies.



# UPP (Broadgate Park) Holdings Limited

## Directors' report (continued)

### for the year ended 31 August 2011

#### Creditor payment terms

When entering into commitments for the purchase of services and goods, the group gives due consideration to quality, price and the terms of payment. Suppliers are made aware of these terms. The group abides by these terms whenever it is satisfied that suppliers have provided the services or goods in accordance with such agreed terms and conditions. In the event of disputes, efforts are made to resolve these quickly. The average creditor days in the year were 28 days (2010: 29 days).

#### Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). 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 and profit or loss of the company and group 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.

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

In so far as each of the directors is aware:

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's and group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

#### Auditor

Having passed elective resolutions of the shareholders the company is exempt from the obligation to annually re-appoint auditors and to hold annual general meetings. Accordingly the board recommend that Grant Thornton UK LLP continue in office as auditor to the company.

On behalf of the Board



G Behr  
Director

19 October 2011

## **Report of the independent auditor report to the members of UPP (Broadgate Park) Holdings Limited**

We have audited the financial statements of UPP (Broadgate Park) Holdings Limited for the year ended 31 August 2011 which comprise the consolidated profit and loss account, consolidated note of historical profits and losses, the consolidated and parent company balance sheets and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, 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 (APB'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 APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 August 2011 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

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



**Report of the independent auditor to the members  
of UPP (Broadgate Park) Holdings Limited (continued)**

**Matters on which we are required to report by exception**

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

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

*Grant Thornton UK LLP*

**Giles Mullins  
Senior Statutory Auditor  
For and on behalf of Grant Thornton UK LLP  
Statutory Auditors, Chartered Accountants**

**Central Milton Keynes**

**21 October 2011**

# UPP (Broadgate Park) Holdings Limited

## Consolidated profit and loss account

### for year ended 31 August 2011

	Notes	Year ended 31 August 2011 £'000	Year ended 31 August 2010 £'000
Turnover	2	10,287	9,286
Cost of sales		(2,890)	(2,676)
<b>Gross profit</b>		<b>7,397</b>	6,610
Operating expenses		(1,600)	(1,536)
<b>Operating profit</b>	6	<b>5,797</b>	5,074
Interest payable & similar charges	7	(7,252)	(1,444)
<b>(Loss) / profit on ordinary activities before taxation</b>		<b>(1,455)</b>	3,630
Tax charge on (loss) / profit on ordinary activities	8	-	-
<b>(Loss) / profit for the financial year</b>	16(a)	<b>(1,455)</b>	3,630

The above results all relate to continuing operations.

The group has no recognised gains and losses other than the loss for the year ended 31 August 2011 and the profit for the year ended 31 August 2010 and therefore no separate statement of total recognised gains and losses has been presented.

# UPP (Broadgate Park) Holdings Limited

## Consolidated note of historical cost profits and losses

	Year ended 31 August 2011 £'000	Year ended 31 August 2010 £'000
Reported (loss) / profit on ordinary activities before taxation	(1,455)	3,630
Difference between historical cost depreciation charge and the actual depreciation charge of the year calculated at the revalued amount	55	62
<b>Historical cost (loss) / profit on ordinary activities before taxation</b>	<b>(1,400)</b>	<b>3,692</b>

**UPP (Broadgate Park) Holdings Limited**  
**Consolidated balance sheet**  
**as at 31 August 2011**

	Notes	31 August 2011 £'000	31 August 2010 £'000
<b>Fixed assets</b>			
Tangible assets	9	100,069	100,060
<b>Current assets</b>			
Debtors: amounts falling due within one year	11	70	64
Cash at bank and in hand		5,264	5,790
		<u>5,334</u>	<u>5,854</u>
Creditors: amounts falling due within one year	12	(6,136)	(5,165)
<b>Net current (liabilities)/assets</b>		<u>(802)</u>	<u>689</u>
<b>Total assets less current liabilities</b>		<u>99,267</u>	<u>100,749</u>
Creditors: amounts falling due after more than one year	13	(104,963)	(104,990)
<b>Provisions for liabilities and charges</b>	14	-	-
		<u>(5,696)</u>	<u>(4,241)</u>
<b>Share capital and reserves</b>			
Called up share capital	15	702	702
Profit and loss account	16(a)	(15,915)	(14,515)
Revaluation reserve	16(a)	9,517	9,572
		<u>(5,696)</u>	<u>(4,241)</u>

The financial statements were approved by the board on 19 October 2011 and were signed on its behalf by:

  
**G Behr**  
 Director

**UPP (Broadgate Park) Holdings Limited**  
**Company balance sheet**  
**as at 31 August 2011**



	Notes	31 August 2011 £'000	31 August 2010 £'000
<b>Fixed assets</b>			
Tangible assets	9	100,069	100,060
Investments	10	-	-
		<u>100,069</u>	<u>100,060</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	11	3,776	4,307
Cash at bank and in hand		24	5
		<u>3,800</u>	<u>4,312</u>
Creditors: amounts falling due within one year	12	(3,948)	(3,004)
<b>Net current (liabilities)/assets</b>		<u>(148)</u>	<u>1,308</u>
<b>Total assets less current liabilities</b>		<u>99,921</u>	<u>101,368</u>
Creditors: amounts falling due after more than one year	13	(104,963)	(104,990)
		<u>(5,042)</u>	<u>(3,622)</u>
<b>Share capital and reserves</b>			
Called up share capital	15	702	702
Profit and loss account	16(b)	(15,261)	(13,896)
Revaluation reserve	16 (b)	9,517	9,572
		<u>(5,042)</u>	<u>(3,622)</u>

The financial statements were approved by the board on 19 October 2011 and were signed on its behalf by:

**G Behr**  
**Director**

**Registered No: 4647273**

# UPP (Broadgate Park) Holdings Limited

## Notes to the financial statements

### for the year ended 31 August 2011

#### 1. Principal accounting policies

##### (a) Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of fixed assets, and in accordance with applicable accounting standards and the Companies Act 2006. The accounting policies remain unchanged from the previous year.

##### (b) Going concern

The directors have reviewed the company's and the group's projected profits and cash flows which they have prepared on the basis of a detailed analysis of the company's and the group's finances, contracts and likely future demand trends. The group and the company have net liability positions and the company has received confirmation from its immediate parent undertaking that it will provide the necessary financial support to ensure it can meet its liabilities as they fall due. Therefore, after consideration of the projections and the group's and the company's financial position the directors consider that the group and the company will be able to settle its liabilities as they fall due and accordingly the financial statements have been prepared on a going concern basis.

##### (c) Basis of consolidation

The group financial statements consolidate the financial statements of UPP (Broadgate Park) Holdings Limited and its subsidiary undertaking prepared to 31 August each year using the acquisition method from the date control passes to the group. No profit and loss account is presented for UPP (Broadgate Park) Holdings Limited as permitted by section 408 of the Companies Act 2006. The loss dealt with in the company for the financial year was £1,420,000 (2010 profit: £3,662,000).

##### (d) Cash flow statement

The group has taken advantage of the exemption available under FRS 1 (revised) and has not prepared a cash flow statement by virtue of being a wholly owned subsidiary of UPP Group Holdings Limited.

##### (e) Presentation of principal asset

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

Each year the group reviews the status of these interests, in accordance with the provisions of FRS 5 (Application Note F), assessing the balance of the significant risks and rewards of ownership of the asset. The appropriate balance sheet treatment of these interests is to treat the asset as a finance receivable asset where the relevant company does not have the majority of significant risks and rewards. Where it does, the asset is treated as a tangible fixed asset.



# UPP (Broadgate Park) Holdings Limited

## Notes to the financial statements (continued)

### for the year ended 31 August 2011

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

##### (f) Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is calculated so as to write off the cost of the tangible fixed assets, less any residual value, over the expected useful economic lives of the assets concerned once construction is complete. The principal rates of depreciation used for this purpose are:

Assets for use in operating leases - annuity method over the term of the lease

The economic benefit of the principal assets for use in operating leases is the return on assets invested into the financing arrangement with the relevant university. The annuity method takes into account the cost of capital notionally invested in the principal asset. Notional interest calculated using the relevant company's actual weighted cost of capital and depreciation combined will give an approximately constant charge to revenue.

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

Where depreciation charges are increased following a revaluation, an amount equal to the increase is transferred annually from the revaluation reserve to the profit and loss account as a movement on reserves.

##### (g) Investments

Fixed asset investments are carried at cost less any provision for impairment in value.

##### (h) Impairment reviews

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

##### (i) Income recognition

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

##### (j) Debt issue costs

The debt issue costs incurred have been offset against the related debt and will be charged to finance costs at a constant rate on the carrying value of the debt. If it becomes clear that the related debt will be redeemed early then the charge to finance costs will be accelerated. Where there is an early repayment clause within the debt instrument, costs incurred are amortised to the profit and loss account to the earliest opportunity the debt could be repaid.

# UPP (Broadgate Park) Holdings Limited

## Notes to the financial statements (continued)

### for the year ended 31 August 2011

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

##### (k) Interest rate swaps

Interest rate swaps are used to hedge the group's exposure to movements on interest rates. The fair value of this financial instrument, which may be an asset or a liability to the group, depending upon the market rate, is not recognised in the financial statements as the group is exempt from adopting FRS 26 and has not voluntarily chosen to adopt.

The interest payable on the debt and associated interest rate swaps is accrued for within the financial statements.

Should the group terminate the interest rate swaps earlier than they mature the group may become liable to pay penalties.

##### (l) Taxation

###### (i) Current tax

The charge for current taxation for the year is based on the result for the year, adjusted for disallowable items.

###### (ii) Deferred tax

Full provision has been made for deferred taxation in respect of timing differences that have originated, but not reversed at the balance sheet date where an event has occurred that results in an obligation to pay more or less tax in the future by the balance sheet date except that:

- Provision is made for gains on disposal of assets that have been rolled over into replacement assets only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned.
- Provision is not made for the remittance of a subsidiary, associate or joint venture's earnings that would cause tax to be payable where no commitment has been made to the remittance of the earnings.
- Deferred tax assets are recognised to the extent that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the years in which the timing differences reverse, based on the tax rates enacted at the balance sheet date. Group relief is only accounted for to the extent that a formal policy is in place at the year end. Where no policy is in place, current and deferred tax is measured before benefits which may arise from a formal group relief policy.

##### (m) Related party transactions

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

##### (n) Defined contribution pension scheme

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

# UPP (Broadgate Park) Holdings Limited

## Notes to the financial statements (continued)

### for the year ended 31 August 2011

## 2. Turnover

Turnover represents income, on the basis of accounting policy 1(i), excluding VAT, attributed to the provision of student accommodation.

## 3. Directors' remuneration

The directors accrued £nil (2010: £nil) in respect of services performed in connection of the management of the affairs of this group.

## 4. Auditors' remuneration

	Year ended 31 August 2011 £'000	Year ended 31 August 2010 £'000
Fees payable to the Group's auditor for the audit of the company's annual accounts	10	10
Fees payable to the Group's auditor and its associates for other services:		
Audit of the company's subsidiaries	15	14
Tax compliance services	8	9
	<u>33</u>	<u>33</u>

## 5. Employee information

	2011 Number	2010 Number
The average number of persons employed by the group during the year was as follows:		
Site managers (full time)	2	2
Administration, maintenance and cleaning (full and part time)	57	57
	<u>59</u>	<u>59</u>

The employment costs of all employees included above were:

	Year ended 31 August 2011 £'000	Year ended 31 August 2010 £'000
Wages and salaries	995	976
Social security costs	81	80
Other pension costs	19	19
	<u>1,095</u>	<u>1,075</u>

**UPP (Broadgate Park) Holdings Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 August 2011**

**6. Operating profit**

The operating profit is stated after charging:

	<b>Year ended 31 August 2011 £'000</b>	Year ended 31 August 2010 £'000
Depreciation	<u>582</u>	<u>541</u>

**7. Interest payable and similar charges**

	<b>Year ended 31 August 2011 £'000</b>	Year ended 31 August 2010 £'000
Bank loan interest	5,234	5,055
Subordinated loan interest	2,018	1,562
Waived interest	-	(7,323)
Amortisation of debt issue costs	-	2,150
	<u>7,252</u>	<u>1,444</u>

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

	<b>Year ended 31 August 2011 £'000</b>	Year ended 31 August 2010 £'000
<b>a) Analysis of charge for the year</b>		
Current tax on income for the year (note 8b)	<u>-</u>	<u>-</u>
<i>Deferred tax:</i>		
Current year (note 14)	-	-
<b>Tax charge on (loss) / profit on ordinary activities</b>	<u>-</u>	<u>-</u>

# UPP (Broadgate Park) Holdings Limited

## Notes to the financial statements (continued)

### for the year ended 31 August 2011

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

##### b) Factors affecting current tax charge for the year

The tax assessed for the year is lower (2010: lower) than the standard rate of corporation tax in the UK 27% (2010: 28%). The differences are explained below:

	Year ended 31 August 2011 £'000	Year ended 31 August 2010 £'000
(Loss) / profit on ordinary activities before tax	<u>(1,455)</u>	<u>3,630</u>
(Loss) / profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 27% (2010: 28%)	<b>(395)</b>	1,017
<i>Effects of:</i>		
Disallowable expenses	<b>89</b>	81
Capital allowances in excess of depreciation	<b>(10)</b>	(320)
Group relief (claimed) / surrendered not paid for	-	-
Unutilised tax losses	<b>316</b>	1,273
Non-taxable income	-	(2,051)
<b>Current tax charge for the year (note 8a)</b>	<u>-</u>	<u>-</u>

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

A deferred tax asset of £1,058,000 (2010: £3,722,000) in respect of available tax losses has not been recognised at 31 August 2011. This is due to there being no persuasive and reliable evidence available at this time of suitable profits to offset these losses.

No provision has been made for deferred tax on gains recognised on revaluing property to its market value. Such tax would become payable only if the property were sold without it being possible to claim rollover relief. The total amount unprovided is £2,739,000 (2010: £1,625,000). At present, it is not envisaged that any tax will become payable in the foreseeable future.

#### 9. Tangible fixed assets

Group and Company	Assets for use in operating leases £'000
<b>Cost or valuation</b>	
At 1 September 2010	100,601
Additions	591
<b>At 31 August 2011</b>	<u><b>101,192</b></u>
<b>Depreciation</b>	
At 1 September 2010	(541)
Charge during the year	(582)
<b>At 31 August 2011</b>	<u><b>(1,123)</b></u>
<b>Net book value</b>	
<b>At 31 August 2011</b>	<u><b>100,069</b></u>
At 31 August 2010	<u>100,060</u>

# UPP (Broadgate Park) Holdings Limited

## Notes to the financial statements (continued)

### for the year ended 31 August 2011

#### 9. Tangible fixed assets (continued)

Fixed assets include net finance costs up to the date of completion of £4,693,000 (2010: £4,693,000).

Assets used in operating leases were independently valued by JLL (formerly King Sturge), Chartered Surveyors, on an existing use basis at 31 August 2010 with subsequent additions at cost. The valuation was completed as at 31 August 2010. JLL have confirmed that the value as at that date was £100,060,000.

The directors are not aware of any material change in value of the assets used in operating leases; therefore the valuation has not been updated from the JLL valuation of 2010.

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

	<b>Assets for use in operating leases 31 August 2011 £'000</b>	Assets for use in operating leases 31 August 2010 £'000
Cost	100,314	99,723
Depreciation	(9,762)	(9,235)
Net book value	<u>90,552</u>	<u>90,488</u>

#### 10. Fixed asset investments

Company	Interest in subsidiary undertaking £
At 1 September 2010 and at 31 August 2011	<u>2</u>

The fixed asset investment value above represents the carrying value of the company's investment in UPP (Broadgate Park) Limited. The company owns 100% of the issued share capital of UPP (Broadgate Park) Limited, which is involved in the provision of student accommodation.

#### 11. Debtors: amounts falling due within one year

	31 August 2011 Group £'000	31 August 2011 Company £'000	31 August 2010 Group £'000	31 August 2010 Company £'000
Amounts due from subsidiary company	-	3,715	-	4,244
VAT recoverable	45	45	45	45
Prepayments and accrued income	25	16	19	18
	<u>70</u>	<u>3,776</u>	<u>64</u>	<u>4,307</u>

**UPP (Broadgate Park) Holdings Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 August 2011**

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

	31 August 2011 Group £'000	31 August 2011 Company £'000	31 August 2010 Group £'000	31 August 2010 Company £'000
Bank loans	26	26	25	25
Trade creditors	49	-	48	-
Amounts owed to group undertakings	1,045	315	2,075	1,388
Amounts owed to parent company	2,466	2,358	1,137	1,029
Accruals and deferred income	2,550	1,249	1,880	562
	<u>6,136</u>	<u>3,948</u>	<u>5,165</u>	<u>3,004</u>

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

	31 August 2011 Group & Company £'000	31 August 2010 Group & Company £'000
Senior debt	82,852	82,878
Secured subordinated loan notes	22,137	22,137
	<u>104,989</u>	<u>105,015</u>
Less: included in creditors	(26)	(25)
	<u>104,963</u>	<u>104,990</u>

**Maturity of debt**

Repayable within one year or on demand	26	25
Repayable in more than one year but less than two years	82,826	26
Repayable in more than two years but less than five years	-	82,827
Repayable in more than five years	22,137	22,137
	<u>104,989</u>	<u>105,015</u>
Less: included in creditors	(26)	(25)
	<u>104,963</u>	<u>104,990</u>

The loan amounts drawn down to date of £105,014,000 (2010: £105,014,000) are part of a total agreed facility of £105,014,000.

**UPP (Broadgate Park) Holdings Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 August 2011**



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

**Senior debt**

The senior debt is repayable by 31 August 2013 with principal repayments commencing 28 February 2011. The interest rate is fixed via a swap at 4.96% plus a variable margin.

The senior debt is secured by way of a first fixed charge over the tangible fixed asset. Furthermore, the terms of the finance agreement provide that the lender will seek repayment of the finance, as to both principal and interest, only to the extent that sufficient funds are generated by the specific asset financed and it will not seek recourse to the group in any other form. The group is not obliged to support any losses, nor does it intend to do so.

**Subordinated loan debt**

The subordinated loan notes are provided by UPP Group Limited and will be repaid by 31 August 2048. The subordinated loans are subordinated to the right of payment of senior debt providers with an interest rate payable of between 5.65% and 11.2% per annum over the term of the loan notes.

**14. Provisions for liabilities**

	<b>31 August 2011 £'000 Group</b>	<b>31 August 2011 £'000 Company</b>	31 August 2010 £'000 Group	31 August 2010 £'000 Company
<b>Deferred tax liability</b>				
At 1 September	-	-	-	-
Charged to profit & loss account	-	-	-	-
<b>At 31 August</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

	<b>31 August 2011 £'000 Group</b>	<b>31 August 2011 £'000 Company</b>	31 August 2010 £'000 Group	31 August 2010 £'000 Company
<b>Deferred tax</b>				
The deferred tax liability consists of:				
Accelerated capital allowances	<b>1,407</b>	<b>1,493</b>	1,445	1,537
Other timing differences	<b>(1,407)</b>	<b>(1,493)</b>	(1,445)	(1,537)
<b>Total deferred tax liability</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>



**UPP (Broadgate Park) Holdings Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 August 2011**

**15. Called up share capital**

	<b>31 August 2011</b> <b>Group and</b> <b>Company</b> <b>£'000</b>	31 August 2010 Group and Company £'000
<b>Authorised</b>		
702,400 Ordinary shares of £1 each	<u>702</u>	<u>702</u>
	<b>702</b>	<b>702</b>
<b>Allotted, called up and fully paid</b>		
702,400 Ordinary shares of £1 each	<u>702</u>	<u>702</u>
	<b>702</b>	<b>702</b>

**16. Reconciliation of shareholders' -deficit- and movement on reserves**

**(a) Group**

	Share capital £'000	Revaluation reserve £'000	Profit & loss account £'000	Total shareholders' deficit £'000
At 1 September 2010	702	9,572	(14,515)	(4,241)
Transfer to profit and loss	-	(55)	55	-
Profit for the year	-	-	(1,455)	(1,455)
<b>At 31 August 2011</b>	<b><u>702</u></b>	<b><u>9,517</u></b>	<b><u>(15,915)</u></b>	<b><u>(5,696)</u></b>

**(b) Company**

	Share capital £'000	Revaluation reserve £'000	Profit & loss account £'000	Total shareholders' deficit £'000
At 1 September 2010	702	9,572	(13,896)	(3,622)
Transfer to profit and loss	-	(55)	55	-
Profit for the year	-	-	(1,420)	(1,420)
<b>At 31 August 2011</b>	<b><u>702</u></b>	<b><u>9,517</u></b>	<b><u>(15,261)</u></b>	<b><u>(5,042)</u></b>

# UPP (Broadgate Park) Holdings Limited

## Notes to the financial statements (continued)

### for the year ended 31 August 2011

#### 17. Parent undertaking and controlling party

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

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

The smallest group of which the company is a member and for which group accounts are prepared is UPP (Broadgate Park) Holdings Limited.

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

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

#### 18. Capital commitments

There were no capital commitments at 31 August 2011 (2010: £592,443).

**UPP (Kent Student Accommodation) Limited  
Report and financial statements**

**For the year ended 31 August 2012**

# UPP (Kent Student Accommodation) Limited Report and financial statements for the year ended 31 August 2012



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# UPP (Kent Student Accommodation) Limited Directors and advisors



## **Directors**

G Behr  
J Benkel

## **Secretary**

J Benkel

## **Auditor**

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

## **Registered office**

40 Gracechurch street  
London  
EC3V 0BT

# UPP (Kent Student Accommodation) Limited

## Directors' report

### for the year ended 31 August 2012



The directors present their report and financial statements for the year ended 31 August 2012.

#### Results, principal activity and review of the business

The company's principal activity is the development, funding, and construction of student accommodation under the University Partnerships Programme.

Both the level of business, achieving full occupancy and the year end financial position were in accordance with the directors' expectations. The directors anticipate that the future level of activity will be in accordance with their expectations and consider that the project will yield returns in line with current forecasts.

The loss for the year attributable to shareholders and reported in the financial statements is £69,000 (2011: £111,000).

#### Going concern

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

As disclosed in note 12, the senior debt facility of £24.8m is due for repayment on 31 August 2013. The directors are currently in the process of negotiating the refinancing of this debt and exploring other means of finance to obtain the best possible terms of finance for the company. Whilst there is a degree of uncertainty as to the outcome of these negotiations, the directors have confidence at this stage that they will be successful.

#### Key performance indicators

The following are considered by the directors to be indicators of performance of the company that are not necessarily evident from the financial statements.

	2011/12	2010/11
Applications : Acceptance ratio	5.30:1	5.46:1
Core demand pool (no. of students)	10,271	9,611

The indicators above are directly related to performance of Kent University and any changes in these statistics may potentially affect the performance of UPP (Kent Student Accommodation) Limited. The company therefore monitors these indicators on an annual basis for any significant changes. The directors are satisfied that the movements noted above are within tolerable limits.

#### Post balance sheet events

On 12 September 2012, UPP Group Holdings Limited, the largest group of which the company is a member, had a 60% stake acquired by PGGM Vermogensbeheer BV ("PGGM"). PGGM is incorporated in the Netherlands. The largest group of which the company is a member will remain UPP Group Holdings Limited.

#### Financial risk management objectives and policies

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

# UPP (Kent Student Accommodation) Limited Directors' report (continued) for the year ended 31 August 2012



## Financial risk management objectives and policies (continued)

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, related party borrowings and bank borrowings. The company exposure to interest rate fluctuations on its bank borrowings is managed by the use of interest swaps which fix variable interest rates for a period of time.

### Liquidity risk

The 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.

The maturity of borrowings is set out in note 12 to the financial statements.

### Demand risk

The company is subjected to risks arising from occupancy voids and no nominations by the university partners which can lead to uncertain revenues. This risk is managed by cementing relationships with the university, improved marketing of accommodation and improved third party revenues to compensate for any shortfalls in rental income.

### Portfolio risk

The assets of the company are in the student market and reduced student numbers could impact upon financial performance. The company seeks to mitigate this risk by building excellent long term relationships with its university partner and ensuring up to date in depth market analysis is completed each year to enable the company to review its strategic position.

### Dividend

The directors are unable to propose the payment of a dividend (2011: £Nil).

### Directors and their interests

The directors holding office during the year ended 31 August 2012 and subsequently are:

G Behr	
J Benkel	
A Clapp	(resigned 13 September 2012)
R McClatchey	(resigned 12 September 2012)

At 31 August 2012, none of the directors had any beneficial interests in the shares of the company or in any of the group companies.

### Creditor payment terms

When entering into commitments for the purchase of services and goods, the company gives due consideration to quality, price and the terms of payment. Suppliers are made aware of these terms. The company abides by these terms whenever it is satisfied that suppliers have provided the services or goods in accordance with such agreed terms and conditions. In the event of disputes, efforts are made to resolve these quickly. The average creditor days in the year were 26 days (2011: 22 days).

# UPP (Kent Student Accommodation) Limited

## Directors' report (continued)

### for the year ended 31 August 2012

#### Directors' Responsibilities Statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). 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 and 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.

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.

In so far as each of the directors is aware:

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

#### Auditor

Having passed elective resolutions of the shareholders the company is exempt from the obligation to annually re-appoint auditors and to hold annual general meetings. Accordingly the board recommended during the period that Grant Thornton UK LLP act as auditors to the company.

On behalf of the Board



G Behr  
Director

26 October 2012



## **Report of the independent auditor to the members of UPP (Kent Student Accommodation) Limited**

We have audited the financial statements of UPP (Kent Student Accommodation) Limited for the year ended 31 August 2012 which comprise the profit and loss account, statement of total recognised gains and losses, note of historical cost profits and losses, balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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 (APB'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 APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

### **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 2012 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Emphasis of matter – Going concern**

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in the going concern paragraph included in the accounting policies in the financial statements concerning the company's ability to continue as a going concern. The company is due to repay its senior debt facility of £24.8m on 31 August 2013 and the directors are currently in the process of negotiating the refinancing of this debt and exploring other means of finance to obtain the best possible terms of finance for the company. These conditions, along with the other matters explained in the going concern paragraph included in the accounting policies to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

### **Opinion on other matter prescribed by the Companies Act 2006**

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



Grant Thornton

## Report of the independent auditor to the members of UPP (Kent Student Accommodation) 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.

*Grant Thornton UK LLP*

**Giles Mullins**  
**Senior Statutory Auditor**  
**For and on behalf of Grant Thornton UK LLP**  
**Statutory Auditors, Chartered Accountants**  
**Central Milton Keynes**

29 October 2012

**UPP (Kent Student Accommodation) Limited**  
**Profit and loss account**  
**for year ended 31 August 2012**

		Year ended 31 August 2012 £'000	Year ended 31 August 2011 £'000
	Notes		
Turnover	2	<b>2,948</b>	2,837
Cost of sales		<b>(858)</b>	(818)
<b>Gross profit</b>		<b>2,090</b>	2,019
Operating expenses		<b>(301)</b>	(270)
<b>Operating profit</b>	6	<b>1,789</b>	1,749
Interest payable & similar charges	7	<b>(1,858)</b>	(1,860)
<b>Loss on ordinary activities before taxation</b>		<b>(69)</b>	(111)
Tax on loss on ordinary activities	8	-	-
<b>Loss for the financial year</b>	15	<b>(69)</b>	(111)

The above results all relate to continuing operations.

**UPP (Kent Student Accommodation) Limited**  
**Statement of total recognised gains**  
**and losses**  
**for year ended 31 August 2012**



		Year ended 31 August 2012 £'000	Year ended 31 August 2011 £'000
Loss for the financial year	15	(69)	(111)
Revaluation of principal asset	15	468	-
<b>Total recognised gains and losses relating to the year</b>		<b>399</b>	<b>(111)</b>

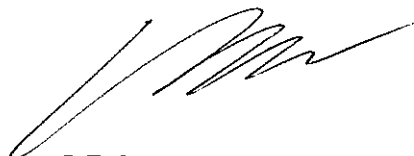
**Note of historical cost profits and losses**

		Year ended 31 August 2012 £'000	Year ended 31 August 2011 £'000
Reported loss on ordinary activities before taxation		(69)	(111)
Difference between historical cost depreciation charge and the actual depreciation charge of the year calculated at the revalued amount		8	7
<b>Historical cost loss on ordinary activities before taxation</b>		<b>(61)</b>	<b>(104)</b>

**UPP (Kent Student Accommodation) Limited**  
**Balance sheet**  
**as at 31 August 2012**

	Notes	31 August 2012 £'000	31 August 2011 £'000
<b>Fixed assets</b>			
Tangible assets	9	30,780	30,336
<b>Current assets</b>			
Debtors: amounts falling due within one year	10	34	135
Cash at bank and in hand		1,635	1,634
		<u>1,669</u>	<u>1,769</u>
Creditors: amounts falling due within one year	11	(26,105)	(1,337)
<b>Net current (liabilities) / assets</b>		<u>(24,436)</u>	<u>432</u>
<b>Total assets less current liabilities</b>		<u>6,344</u>	<u>30,768</u>
Creditors: amounts falling due after more than one year	12	(3,132)	(27,955)
<b>Provisions for liabilities and charges</b>	13	-	-
		<u>3,212</u>	<u>2,813</u>
<b>Share capital and reserves</b>			
Called up share capital	14	285	285
Revaluation reserve	15	3,876	3,416
Profit and loss account	15	(949)	(888)
		<u>3,212</u>	<u>2,813</u>

The financial statements were approved by the board on 26 October 2012 and were signed on its behalf by:



**G Behr**  
 Director

Registered No: 05991255

# UPP (Kent Student Accommodation) Limited

## Notes to the financial statements

### for the year ended 31 August 2012

#### 1. Principal accounting policies

##### (a) Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of fixed assets, and in accordance with applicable accounting standards and the Companies Act 2006.

##### (b) Going concern

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

As disclosed in note 12, the senior debt facility of £24.8m is due for repayment on 31 August 2013. The directors are currently in the process of negotiating the refinancing of this debt and exploring other means of finance to obtain the best possible terms of finance for the company. Whilst there is a degree of uncertainty as to the outcome of these negotiations, the directors have confidence at this stage that they will be successful.

##### (c) Cash flow statement

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

##### (d) Presentation of principal asset

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

Each year the company reviews the status of these interests, in accordance with the provisions of FRS 5 (Application Note F), assessing the balance of the significant risks and rewards of ownership of the asset. The appropriate balance sheet treatment of these interests is to treat the asset as a finance receivable asset where the company does not have the majority of significant risks and rewards. Where it does, the asset is treated as a tangible fixed asset.

The directors consider the balance of the risks and rewards lies with the company and therefore the asset is treated as a tangible fixed asset.

##### (e) Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is calculated so as to write off the cost of the tangible fixed assets, less any residual value, over the expected useful economic lives of the assets concerned once construction is complete. The principal rates of depreciation used for this purpose are:

Assets for use in operating leases - annuity method over the term of the lease

The economic benefit of the principal assets for use in operating leases is the return on assets invested into the financing arrangement with the relevant university. The annuity method takes into account the cost of capital notionally invested in the principal asset. Notional interest calculated using the relevant company's actual weighted cost of capital and depreciation combined will give an approximately constant charge to revenue.

# UPP (Kent Student Accommodation) Limited

## Notes to the financial statements (continued)

### for the year ended 31 August 2012

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

##### (e) Tangible fixed assets (continued)

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

Where depreciation charges are increased following a revaluation, an amount equal to the increase is transferred annually from the revaluation reserve to the profit and loss account as a movement on reserves.

##### (f) Impairment reviews

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

##### (g) Income recognition

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

##### (h) Debt issue costs

The debt issue costs incurred have been offset against the related debt and will be charged to finance costs at a constant rate on the carrying value of the debt. If it becomes clear that the related debt will be redeemed early then the charge to finance costs will be accelerated. Where there is an early repayment clause within the debt instrument, costs incurred are amortised to the profit and loss account to the earliest opportunity the debt could be repaid.

##### (i) Interest rate swaps

Interest rate swaps are used to hedge the company's exposure to movements on interest rates. The fair value of this financial instrument, which may be an asset or a liability to the company, depending upon the market rate, is not recognised in the financial statements as the group is exempt from adopting FRS 26 and has not voluntarily chosen to adopt.

The interest payable on the debt and associated interest rate swaps is accrued for within the financial statements.

Should the company terminate the interest rate swaps earlier than they mature the company may become liable to pay penalties.

# UPP (Kent Student Accommodation) Limited

## Notes to the financial statements (continued)

### for the year ended 31 August 2012

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

##### (j) Taxation

###### (i) Current tax

The charge for current taxation for the year is based on the result for the year, adjusted for disallowable items.

###### (ii) Deferred tax

Full provision has been made for deferred taxation in respect of timing differences that have originated, but not reversed at the balance sheet date where an event has occurred that results in an obligation to pay more or less tax in the future by the balance sheet date except that:

- Provision is made for gains on disposal of assets that have been rolled over into replacement assets only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned.
- Provision is not made for the remittance of a subsidiary, associate or joint venture's earnings that would cause tax to be payable where no commitment has been made to the remittance of the earnings.
- Deferred tax assets are recognised to the extent that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the years in which the timing differences reverse, based on the tax rates enacted at the balance sheet date. Group relief is only accounted for to the extent that a formal policy is in place at the year end. Where no policy is in place, current and deferred tax is measured before benefits which may arise from a formal group relief policy.

##### (k) Related party transactions

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

#### 2. Turnover

Turnover represents income, on the basis of accounting policy 1(g), excluding VAT, attributed to the provision of student accommodation.

#### 3. Directors' remuneration

The directors were paid £10,000 (2011: £11,000) in respect of services performed in connection of the management of the affairs of this company.



**UPP (Kent Student Accommodation) Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 August 2012**



**4. Auditors' remuneration**

	<b>Year ended 31 August 2012 £'000</b>	Year ended 31 August 2011 £'000
Fees payable to the Company's auditor for the audit of the company's annual accounts	<b>14</b>	10
Fees payable to the Company's auditor and its associates for other services:		
Tax services	<u>4</u>	<u>4</u>
	<b><u>18</u></b>	<b><u>14</u></b>

**5. Employee information**

The average number of persons employed by the company during the year was as follows:

	<b>2012 Number</b>	2011 Number
Site managers (full time)	<b>2</b>	1
Administration, maintenance and cleaning (full and part time)	<b>8</b>	8
	<b><u>10</u></b>	<u>9</u>

The employment costs of all employees included above were:

	<b>Year ended 31 August 2012 £'000</b>	Year ended 31 August 2011 £'000
Wages and salaries	<b>119</b>	179
Social security costs	<b>10</b>	15
	<b><u>129</u></b>	<u>194</u>

**6. Operating profit**

The operating profit is stated after charging:

	<b>Year ended 31 August 2012 £'000</b>	Year ended 31 August 2011 £'000
Depreciation	<b><u>69</u></b>	<u>64</u>

**UPP (Kent Student Accommodation) Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 August 2012**

**7. Interest payable and similar charges**

	Year ended 31 August 2012 £'000	Year ended 31 August 2011 £'000
Interest payable on bank loans	1,465	1,467
Subordinated loan interest	393	393
	<u>1,858</u>	<u>1,860</u>

**8. Tax on loss on ordinary activities**

	Year ended 31 August 2012 £'000	Year ended 31 August 2011 £'000
<b>a) Analysis of charge for the year</b>		
Current tax on income for the year (note 8b)	-	-
<i>Deferred tax:</i>		
Current year	-	-
Adjustments to tax charge in respect of previous years	-	-
Total deferred tax (note 13)	-	-
<b>Tax charge on loss on ordinary activities</b>	<u>-</u>	<u>-</u>

**b) Factors affecting current tax charge for the year**

The tax assessed for the year is higher (2011: higher) than the standard rate of corporation tax in the UK 25% (2011: 27%). The differences are explained below:

	Year ended 31 August 2012 £'000	Year ended 31 August 2011 £'000
Loss on ordinary activities before tax	<u>(69)</u>	<u>(111)</u>
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 25% (2011: 27%)	(17)	(30)
<i>Effects of:</i>		
Disallowable expenses	12	7
Capital allowances in excess of depreciation	5	5
Unutilised tax losses	-	18
<b>Current tax charge for the year (note 8a)</b>	<u>-</u>	<u>-</u>

# UPP (Kent Student Accommodation) Limited

## Notes to the financial statements (continued)

### for the year ended 31 August 2012

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

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

A deferred tax asset of £15,000 (2011: £185,000) in respect of available tax losses has not been recognised at 31 August 2012. This is due to there being no persuasive and reliable evidence available at this time of suitable profits to offset these losses.

No provision has been made for deferred tax on gains recognised on revaluing property to its market value. Such tax would become payable only if the property were sold without it being possible to claim rollover relief. The total amount unprovided is £6,114,000 (2011: £6,956,000). At present, it is not envisaged that any tax will become payable in the foreseeable future.

#### 9. Tangible fixed assets

	<b>Assets for use in operating leases £'000</b>
<b>Cost or valuation</b>	
At 1 September 2011	30,459
Additions	45
Revaluation	276
<b>At 31 August 2012</b>	<b><u>30,780</u></b>
<b>Depreciation</b>	
At 1 September 2011	(123)
Charge during the year	(69)
Revaluation	192
<b>At 31 August 2012</b>	<b><u>-</u></b>
<b>Net book value</b>	
<b>At 31 August 2012</b>	<b><u>30,780</u></b>
At 31 August 2011	<u>30,336</u>

The fixed asset includes finance costs up to the date of completion of £991,000.

Assets used in operating leases were independently valued by Jones Lange LaSalle ("JLL"), Chartered Surveyors, on an existing use basis at 31 August 2012. JLL have confirmed that the value as at that date was £30,780,000.

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

	<b>Assets for use in operating leases 31 August 2012 £'000</b>	Assets for use in operating leases 31 August 2011 £'000
Cost	<b>27,123</b>	27,077
Depreciation	<b>(219)</b>	(158)
<b>Net book value</b>	<b><u>26,904</u></b>	<u>26,919</u>

**UPP (Kent Student Accommodation) Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 August 2012**

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

	<b>31 August 2012 £'000</b>	31 August 2011 £'000
Trade debtors	27	129
Prepayments and accrued income	7	6
	<u>34</u>	<u>135</u>

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

	<b>31 August 2012 £'000</b>	31 August 2011 £'000
Bank loans	24,822	121
Trade creditors	4	1
Amounts owed to group undertakings	73	60
Amounts owed to parent company	305	305
Accruals and deferred income	898	829
VAT payable	3	21
	<u>26,105</u>	<u>1,337</u>

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

	<b>Year ended 31 August 2012 £'000</b>	Year ended 31 August 2011 £'000
Senior debt	24,822	24,944
Secured subordinated loan notes	3,132	3,132
	<u>27,954</u>	<u>28,076</u>
Less: included in creditors amounts falling due within one year	(24,822)	(121)
	<u>3,132</u>	<u>27,955</u>

**Maturity of debt**

Repayable within one year or on demand	24,822	121
Repayable in more than one year but less than two years	-	24,822
Repayable in more than two years but less than five years	1	1
Repayable in more than five years	3,131	3,132
	<u>27,954</u>	<u>28,076</u>
Less: senior debt falling due within one year	(24,822)	(121)
	<u>3,132</u>	<u>27,955</u>

Loan amounts drawn down to date on the senior facility of £25,061,000 (2011: £25,061,000) are part of a total agreed facility of £25,061,000. The facility is fully utilised.

# UPP (Kent Student Accommodation) Limited

## Notes to the financial statements (continued)

### for the year ended 31 August 2012

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

##### Senior debt

The senior debt is payable on 31 August 2013 with principal repayments having commenced on 30 November 2008. The interest rate is fixed via a swap at a rate of 5.88% plus a variable margin.

The senior debt is secured by way of a first fixed charge over the company's fixed asset. Furthermore, the terms of the finance agreement provide that the lender will seek repayment of the finance, as to both principal and interest, only to the extent that sufficient funds are generated by the specific asset financed and it will not seek recourse to the company in any other form. The company is not obliged to support any losses, nor does it intend to do so.

##### Secured subordinated loan notes

The subordinated loan notes have been provided by UPP Group Limited. The loan notes are subject to the same security as the senior debt facilities but are subordinated to the right of payment of senior debt providers. The loan notes will be repaid by 31 August 2058 and are subject to an effective interest rate of 12.56%.

#### 13. Provisions for liabilities

<b>Deferred tax liability</b>	<b>31 August 2012 £'000</b>	<b>31 August 2011 £'000</b>
At 1 September	-	-
Charged to profit & loss account	-	-
<b>At 31 August</b>	<b>-</b>	<b>-</b>

<b>Deferred Tax</b>	<b>31 August 2012 £'000</b>	<b>31 August 2011 £'000</b>
The deferred tax liability consists of:		
Accelerated capital allowances	(15)	(11)
Other timing differences	15	11
<b>Total deferred tax liability</b>	<b>-</b>	<b>-</b>

#### 14. Called up share capital

<b>Authorised</b>	<b>31 August 2012 £'000</b>	<b>31 August 2011 £'000</b>
300,000 Ordinary shares of £1 each	<b>300</b>	300
<b>Allotted, called up and fully paid</b>		
284,800 Ordinary shares of £1 each	<b>285</b>	285

# UPP (Kent Student Accommodation) Limited

## Notes to the financial statements (continued)

### for the year ended 31 August 2012



#### 15. Reconciliation of shareholders' funds and movement on reserves

	Share capital £'000	Revaluation reserve £'000	Profit & loss account £'000	Total shareholders' funds £'000
At 1 September 2011	285	3,416	(888)	2,813
Transfer to profit and loss	-	(8)	8	-
Loss for the year	-	-	(69)	(69)
Revaluation	-	468	-	468
<b>At 31 August 2012</b>	<b>285</b>	<b>3,876</b>	<b>(949)</b>	<b>3,212</b>

#### 16. Parent undertaking and controlling party

The company is owned by UPP Group Limited.

UPP Group Limited is a wholly owned subsidiary of UPP Group Holdings Limited. UPP Group Holdings Limited is controlled by a 60% stake held by PGGM Vermogensbeheer BV ("PGGM"). The remaining 40% is held by The Alma Mater Fund LP (acting through its general partner Barclays Alma Mater General Partner Limited), Barclays European Infrastructure Fund (UPP) LP (acting through its general partner Barclays European Infrastructure Limited) and Barclays European Infrastructure Fund II LP (acting through its Barclays European Infrastructure II Limited). The Alma Mater Fund LP and Barclays Alma Mater General Partner Limited are collectively referred to as 'Alma Mater'.

It is the directors' opinion that the ultimate controlling party changed from Alma Mater to PGGM on 12 September 2012.

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

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

#### 17. Post balance sheet events

On 12 September 2012, UPP Group Holdings Limited, the largest group of which the company is a member, had a 60% stake acquired by PGGM. PGGM is incorporated in the Netherlands. The largest group of which the company is a member will remain UPP Group Holdings Limited.

**UPP (Kent Student Accommodation) Limited  
Report and financial statements**

**For the year ended 31 August 2011**

# UPP (Kent Student Accommodation) Limited Report and financial statements for the year ended 31 August 2011



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# UPP (Kent Student Accommodation) Limited

## Directors and advisors



### Directors

G Behr  
J Benkel  
A Clapp  
R McClatchey

### Secretary

J Benkel

### Auditor

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

### Registered office

40 Gracechurch street  
London  
EC3V 0BT

# UPP (Kent Student Accommodation) Limited

## Directors' report

### for the year ended 31 August 2011



The directors present their report and financial statements for the year ended 31 August 2011.

#### Results, principal activity and review of the business

The company's principal activity is the development, funding, and construction of student accommodation under the University Partnerships Programme.

Both the level of business, achieving full occupancy and the year end financial position were in accordance with the directors' expectations. The directors anticipate that the future level of activity will be in accordance with their expectations and consider that the project will yield returns in line with current forecasts.

The loss for the year attributable to shareholders and reported in the financial statements is £111,000 (2010: £209,000).

#### Going concern

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

#### Key performance indicators

The following are considered by the directors to be indicators of performance of the company that are not necessarily evident from the financial statements.

	2010/11	2009/10
Applications : Acceptance ratio	5.46:1	4.79:1
Core demand pool (no. of students)	9,611	8,783

The indicators above are directly related to performance of Kent University and any changes in these statistics may potentially affect the performance of UPP (Kent Student Accommodation) Limited. The company therefore monitors these indicators on an annual basis for any significant changes. The directors are satisfied that the movements noted above are within tolerable limits.

#### Financial risk management objectives and policies

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

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

# UPP (Kent Student Accommodation) Limited

## Directors' report (continued)

### for the year ended 31 August 2011



#### Interest rate risk

The company finances its operations through a mixture of retained profits, related party borrowings and bank borrowings. The company exposure to interest rate fluctuations on its bank borrowings is managed by the use of interest swaps which fix variable interest rates for a period of time.

#### Liquidity risk

The 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.

The maturity of borrowings is set out in note 12 to the financial statements.

#### Demand risk

The company is subjected to risks arising from occupancy voids and no nominations by the university partners which can lead to uncertain revenues. This risk is managed by cementing relationships with the university, improved marketing of accommodation and improved third party revenues to compensate for any shortfalls in rental income.

#### Portfolio risk

The assets of the company are in the student market and reduced student numbers could impact upon financial performance. The company seeks to mitigate this risk by building excellent long term relationships with its university partner and ensuring up to date in depth market analysis is completed each year to enable the company to review its strategic position.

#### Dividend

The directors are unable to propose the payment of a dividend (2010: £Nil).

#### Directors and their interests

The directors holding office during the year ended 31 August 2011 and subsequently are:

M Allen	(resigned 18 February 2011)
G Behr	
J Benkel	(appointed 18 February 2011)
A Clapp	(appointed 29 September 2010)
R McClatchey	(appointed 17 June 2011)
D Lomas	(resigned 29 September 2010)

At 31 August 2011, none of the directors had any beneficial interests in the shares of the company or in any of the group companies.

#### Creditor payment terms

When entering into commitments for the purchase of services and goods, the company gives due consideration to quality, price and the terms of payment. Suppliers are made aware of these terms. The company abides by these terms whenever it is satisfied that suppliers have provided the services or goods in accordance with such agreed terms and conditions. In the event of disputes, efforts are made to resolve these quickly. The average creditor days in the year were 22 days (2010: 31 days).

## Directors' report (continued) for the year ended 31 August 2011

### Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). 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 and 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.

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. In so far as each of the directors is aware:

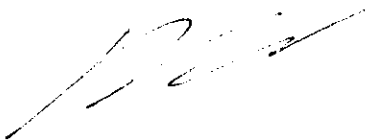
- there is no relevant audit information of which the company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### Auditor

Having passed elective resolutions of the shareholders the company is exempt from the obligation to annually re-appoint auditors and to hold annual general meetings. Accordingly the board recommended during the period that Grant Thornton UK LLP act as auditors to the company.

On behalf of the Board



G Behr  
Director

19 October 2011

## **Report of the independent auditor to the members of UPP (Kent Student Accommodation) Limited**

We have audited the financial statements of UPP (Kent Student Accommodation) Limited for the year ended 31 August 2011 which comprise the profit and loss account, note of historical cost profits and losses, balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, 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 (APB'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 APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

### **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 2011 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

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

## Report of the independent auditor to the members of UPP (Kent Student Accommodation) 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.

*Grant Thornton UK LLP*

**Giles Mullins**  
**Senior Statutory Auditor**  
For and on behalf of Grant Thornton UK LLP  
Statutory Auditors, Chartered Accountants

Central Milton Keynes

21 October 2011

**UPP (Kent Student Accommodation) Limited**  
**Profit and loss account**  
**for year ended 31 August 2011**



		Year ended 31 August 2011 £'000	Year ended 31 August 2010 £'000
	Notes		
Turnover	2	<b>2,837</b>	2,697
Cost of sales		<b>(818)</b>	(793)
<b>Gross profit</b>		<b>2,019</b>	1,904
Operating expenses		<b>(270)</b>	(239)
<b>Operating profit</b>	6	<b>1,749</b>	1,665
Interest payable & similar charges	7	<b>(1,860)</b>	(1,874)
<b>Loss on ordinary activities before taxation</b>		<b>(111)</b>	(209)
Tax on loss on ordinary activities	8	-	-
<b>Loss for the financial year</b>	15	<b>(111)</b>	(209)

The above results all relate to continuing operations.

The company has no recognised gains and losses other than the losses for the years ended 31 August 2011 and 31 August 2010 and therefore no separate statement of total recognised gains and losses has been presented.

# UPP (Kent Student Accommodation) Limited

## Note of historical cost profits and losses



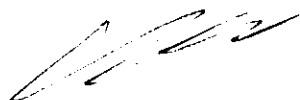
	Year ended 31 August 2011 £'000	Year ended 31 August 2010 £'000
Reported loss on ordinary activities before taxation	(111)	(209)
Difference between historical cost depreciation charge and the actual depreciation charge of the year calculated at the revalued amount	7	7
<b>Historical cost loss on ordinary activities before taxation</b>	<b>(104)</b>	<b>(202)</b>



**UPP (Kent Student Accommodation) Limited**  
**Balance sheet**  
**as at 31 August 2011**

	Notes	31 August 2011 £'000	31 August 2010 £'000
<b>Fixed assets</b>			
Tangible assets	9	30,336	30,390
<b>Current assets</b>			
Debtors: amounts falling due within one year	10	135	23
Cash at bank and in hand		1,634	1,564
		<b>1,769</b>	<b>1,587</b>
Creditors: amounts falling due within one year	11	(1,337)	(977)
<b>Net current assets</b>		<b>432</b>	<b>610</b>
<b>Total assets less current liabilities</b>		<b>30,768</b>	<b>31,000</b>
Creditors: amounts falling due after more than one year	12	(27,955)	(28,076)
<b>Provisions for liabilities and charges</b>	13	-	-
		<b>2,813</b>	<b>2,924</b>
<b>Share capital and reserves</b>			
Called up share capital	14	285	285
Profit and loss account	15	(888)	(784)
Revaluation reserve	15	3,416	3,423
		<b>2,813</b>	<b>2,924</b>

The financial statements were approved by the board on 19 October 2011 and were signed on its behalf by:



**G Behr**  
**Director**

**Registered No: 5991255**

# UPP (Kent Student Accommodation) Limited

## Notes to the financial statements

### for the year ended 31 August 2011

#### 1. Principal accounting policies

##### (a) Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of fixed assets, and in accordance with applicable accounting standards and the Companies Act 2006. The accounting policies remain unchanged from the previous year.

##### (b) Going concern

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

##### (c) Cash flow statement

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

##### (d) Presentation of principal asset

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

Each year the company reviews the status of these interests, in accordance with the provisions of FRS 5 (Application Note F), assessing the balance of the significant risks and rewards of ownership of the asset. The appropriate balance sheet treatment of these interests is to treat the asset as a finance receivable asset where the company does not have the majority of significant risks and rewards. Where it does, the asset is treated as a tangible fixed asset.

The directors consider the balance of the risks and rewards lies with the company and therefore the asset is treated as a tangible fixed asset.

##### (e) Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is calculated so as to write off the cost of the tangible fixed assets, less any residual value, over the expected useful economic lives of the assets concerned once construction is complete. The principal rates of depreciation used for this purpose are:

Assets for use in operating leases - annuity method over the term of the lease

The economic benefit of the principal assets for use in operating leases is the return on assets invested into the financing arrangement with the relevant university. The annuity method takes into account the cost of capital notionally invested in the principal asset. Notional interest calculated using the relevant company's actual weighted cost of capital and depreciation combined will give an approximately constant charge to revenue.

# UPP (Kent Student Accommodation) Limited

## Notes to the financial statements (continued)

### for the year ended 31 August 2011

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

##### (e) Tangible fixed assets (continued)

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

Where depreciation charges are increased following a revaluation, an amount equal to the increase is transferred annually from the revaluation reserve to the profit and loss account as a movement on reserves.

##### (f) Impairment reviews

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

##### (g) Income recognition

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

##### (h) Debt issue costs

The debt issue costs incurred have been offset against the related debt and will be charged to finance costs at a constant rate on the carrying value of the debt. If it becomes clear that the related debt will be redeemed early then the charge to finance costs will be accelerated. Where there is an early repayment clause within the debt instrument, costs incurred are amortised to the profit and loss account to the earliest opportunity the debt could be repaid.

##### (i) Interest rate swaps

Interest rate swaps are used to hedge the company's exposure to movements on interest rates. The fair value of this financial instrument, which may be an asset or a liability to the company, depending upon the market rate, is not recognised in the financial statements as the group is exempt from adopting FRS 26 and has not voluntarily chosen to adopt.

The interest payable on the debt and associated interest rate swaps is accrued for within the financial statements.

Should the company terminate the interest rate swaps earlier than they mature the company may become liable to pay penalties.

# UPP (Kent Student Accommodation) Limited

## Notes to the financial statements (continued)

### for the year ended 31 August 2011

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

##### (j) Taxation

###### (i) Current tax

The charge for current taxation for the year is based on the result for the year, adjusted for disallowable items.

###### (ii) Deferred tax

Full provision has been made for deferred taxation in respect of timing differences that have originated, but not reversed at the balance sheet date where an event has occurred that results in an obligation to pay more or less tax in the future by the balance sheet date except that:

- Provision is made for gains on disposal of assets that have been rolled over into replacement assets only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned.
- Provision is not made for the remittance of a subsidiary, associate or joint venture's earnings that would cause tax to be payable where no commitment has been made to the remittance of the earnings.
- Deferred tax assets are recognised to the extent that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the years in which the timing differences reverse, based on the tax rates enacted at the balance sheet date. Group relief is only accounted for to the extent that a formal policy is in place at the year end. Where no policy is in place, current and deferred tax is measured before benefits which may arise from a formal group relief policy.

##### (k) Related party transactions

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

#### 2. Turnover

Turnover represents income, on the basis of accounting policy 1(g), excluding VAT, attributed to the provision of student accommodation.

#### 3. Directors' remuneration

The directors were paid £11,000 (2010: £10,000) in respect of services performed in connection of the management of the affairs of this company.

**UPP (Kent Student Accommodation) Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 August 2011**



**4. Auditors' remuneration**

	<b>Year ended 31 August 2011 £'000</b>	Year ended 31 August 2010 £'000
Fees payable to the Company's auditor for the audit of the company's annual accounts	<b>10</b>	14
Fees payable to the Company's auditor and its associates for other services:		
Tax services	<u>4</u>	<u>5</u>
	<b><u>14</u></b>	<b><u>19</u></b>

**5. Employee information**

The average number of persons employed by the company during the year was as follows:

	<b>2011 Number</b>	2010 Number
Site managers (full time)	<b>1</b>	1
Administration, maintenance and cleaning (full and part time)	<b>8</b>	9
	<b><u>9</u></b>	<u>10</u>

The employment costs of all employees included above were:

	<b>Year ended 31 August 2011 £'000</b>	Year ended 31 August 2010 £'000
Wages and salaries	<b>179</b>	192
Social security costs	<b>15</b>	17
	<b><u>194</u></b>	<u>209</u>

**6. Operating profit**

The operating profit is stated after charging:

	<b>Year ended 31 August 2011 £'000</b>	Year ended 31 August 2010 £'000
Depreciation	<b><u>64</u></b>	<u>59</u>

**UPP (Kent Student Accommodation) Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 August 2011**

**7. Interest payable and similar charges**

	Year ended 31 August 2011 £'000	Year ended 31 August 2010 £'000
Interest payable on bank loans	1,467	1,480
Subordinated loan interest	393	394
	<u>1,860</u>	<u>1,874</u>

**8. Tax on loss on ordinary activities**

	Year ended 31 August 2011 £'000	Year ended 31 August 2010 £'000
<b>a) Analysis of charge for the year</b>		
Current tax on income for the year (note 8b)	-	-
<i>Deferred tax:</i>		
Current year	-	-
Adjustments to tax charge in respect of previous years	-	-
Total deferred tax (note 13)	-	-
<b>Tax charge on loss on ordinary activities</b>	<u>-</u>	<u>-</u>

**b) Factors affecting current tax charge for the year**

The tax assessed for the year is higher (2010: higher) than the standard rate of corporation tax in the UK 27% (2010: 28%). The differences are explained below:

	Year ended 31 August 2011 £'000	Year ended 31 August 2010 £'000
Loss on ordinary activities before tax	<u>(111)</u>	<u>(208)</u>
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 27% (2010: 28%)	(30)	(58)
<i>Effects of:</i>		
Disallowable expenses	7	13
Capital allowances in excess of depreciation	5	4
Unutilised tax losses	18	42
<b>Current tax charge for the year (note 8a)</b>	<u>-</u>	<u>-</u>

# UPP (Kent Student Accommodation) Limited

## Notes to the financial statements (continued)

### for the year ended 31 August 2011

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

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

A deferred tax asset of £185,000 (2010: £193,000) in respect of available tax losses has not been recognised at 31 August 2011. This is due to there being no persuasive and reliable evidence available at this time of suitable profits to offset these losses.

No provision has been made for deferred tax on gains recognised on revaluing property to its market value. Such tax would become payable only if the property were sold without it being possible to claim rollover relief. The total amount unprovided is £6,956,000 (2010: £7,113,000). At present, it is not envisaged that any tax will become payable in the foreseeable future.

#### 9. Tangible fixed assets

	<b>Assets for use in operating leases £'000</b>
<b>Cost or valuation</b>	
At 1 September 2010	30,449
Additions	10
<b>At 31 August 2011</b>	<b>30,459</b>
<b>Depreciation</b>	
At 1 September 2010	(59)
Charge during the year	(64)
<b>At 31 August 2011</b>	<b>(123)</b>
<b>Net book value</b>	
<b>At 31 August 2011</b>	<b>30,336</b>
At 31 August 2010	30,390

The fixed asset includes net finance costs up to the date of completion of £991,000 (2010: £991,000).

Assets used in operating leases were independently valued by JLL (formerly King Sturge), Chartered Surveyors, on an existing use basis at 31 August 2010 with subsequent additions at cost. The valuation was completed as at 31 August 2010. JLL have confirmed that the value as at that date was £30,390,000.

The directors are not aware of any material change in value of the assets used in operating leases, therefore the valuation has not been updated from the JLL valuation of 2010.

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

	<b>Assets for use in operating leases 31 August 2011 £'000</b>	Assets for use in operating leases 31 August 2010 £'000
Cost	<b>27,077</b>	27,067
Depreciation	<b>(158)</b>	(100)
<b>Net book value</b>	<b>26,919</b>	26,967

**UPP (Kent Student Accommodation) Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 August 2011**

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

	<b>31 August 2011 £'000</b>	31 August 2010 £'000
Trade debtors	129	16
VAT recoverable	-	1
Prepayments and accrued income	6	6
	<u>135</u>	<u>23</u>

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

	<b>31 August 2011 £'000</b>	31 August 2010 £'000
Bank loans	121	87
Trade creditors	1	29
Amounts owed to group undertakings	60	53
Amounts owed to parent company	305	305
Accruals and deferred income	829	503
VAT payable	21	-
	<u>1,337</u>	<u>977</u>

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

	<b>Year ended 31 August 2011 £'000</b>	Year ended 31 August 2010 £'000
Senior debt	24,944	25,031
Secured subordinated loan notes	3,132	3,132
	<u>28,076</u>	<u>28,163</u>
Less: included in creditors amounts falling due within one year	(121)	(87)
	<u>27,955</u>	<u>28,076</u>

**Maturity of debt**

Repayable within one year or on demand	121	87
Repayable in more than one year but less than two years	24,822	121
Repayable in more than two years but less than five years	1	24,823
Repayable in more than five years	3,132	3,132
	<u>28,076</u>	<u>28,163</u>
Less: included in creditors amounts falling due within one year	(121)	(87)
	<u>27,955</u>	<u>28,076</u>

Loan amounts drawn down to date on the senior facility of £25,061,000 (2010: £25,061,000) are part of a total agreed facility of £25,061,000. The facility is fully utilised.



**UPP (Kent Student Accommodation) Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 August 2011**



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

**Senior debt**

The senior debt is payable on 31 August 2013 with principal repayments having commenced on 30 November 2008. The interest rate is fixed via a swap at a rate of 5.88% plus a variable margin.

The senior debt is secured by way of a first fixed charge over the company's fixed asset. Furthermore, the terms of the finance agreement provide that the lender will seek repayment of the finance, as to both principal and interest, only to the extent that sufficient funds are generated by the specific asset financed and it will not seek recourse to the company in any other form. The company is not obliged to support any losses, nor does it intend to do so.

**Secured subordinated loan notes**

The subordinated loan notes have been provided by UPP Group Limited. The loan notes are subject to the same security as the senior debt facilities but are subordinated to the right of payment of senior debt providers. The loan notes will be repaid by 31 August 2058 and are subject to an effective interest rate of 12.56%.

**13. Provisions for liabilities**

<b>Deferred tax liability</b>	<b>31 August 2011 £'000</b>	<b>31 August 2010 £'000</b>
At 1 September	-	-
Charged to profit & loss account	-	-
<b>At 31 August</b>	<b>-</b>	<b>-</b>

<b>Deferred Tax</b>	<b>31 August 2011 £'000</b>	<b>31 August 2010 £'000</b>
The deferred tax liability consists of:		
Accelerated capital allowances	(11)	(6)
Other timing differences	11	6
<b>Total deferred tax liability</b>	<b>-</b>	<b>-</b>

**14. Called up share capital**

<b>Authorised</b>	<b>31 August 2011 £'000</b>	<b>31 August 2010 £'000</b>
300,000 Ordinary shares of £1 each	<b>300</b>	300
<b>Allotted, called up and fully paid</b>		
284,800 Ordinary shares of £1 each	<b>285</b>	285

# UPP (Kent Student Accommodation) Limited

## Notes to the financial statements (continued)

### for the year ended 31 August 2011

#### 15. Reconciliation of shareholders' funds and movement on reserves

	Share capital £'000	Revaluation reserve £'000	Profit & loss account £'000	Total shareholders' funds £'000
At 1 September 2010	285	3,423	(784)	2,924
Transfer to profit and loss	-	(7)	7	-
Loss for the year	-	-	(111)	(111)
<b>At 31 August 2011</b>	<b>285</b>	<b>3,416</b>	<b>(888)</b>	<b>2,813</b>

#### 16. Parent undertaking and controlling party

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

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

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

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

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

**UPP (Nottingham) Limited  
Report and financial statements**

**For the year ended 31 August 2012**

# UPP (Nottingham) Limited Report and financial statements for the year ended 31 August 2012

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# UPP (Nottingham) Limited Directors and advisors



## **Directors**

G Behr  
J Benkel  
S O'Shea  
J Jackson

## **Secretary**

J Benkel

## **Auditor**

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

## **Registered office**

40 Gracechurch Street  
London  
EC3V 0BT

# UPP (Nottingham) Limited

## Directors' report

### for the year ended 31 August 2012



The directors present their report and financial statements for the year ended 31 August 2012.

#### Results, principal activity and review of the business

The group and company's principal activity is the operation of student accommodation and the provision of related facilities management services for Nottingham Trent University under the University Partnerships Programme.

The building has achieved full occupancy during the academic year. The year end financial position was in accordance with the directors' expectations. The directors anticipate that the future level of activity will be in accordance with their expectations and consider that the project will yield returns in line with current forecasts.

The group loss for the year attributable to shareholders and reported in the financial statements is £2,020,000 (2011: £2,059,000).

#### Going concern

The directors have reviewed the group's projected profits and cash flows which they have prepared on the basis of a detailed analysis of the group's finances, contracts and likely future demand trends. After consideration of these projections and the existence of a net liability position 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.

As disclosed in note 14, the senior debt facility of £91.4m is due for repayment on 31 August 2013. The directors are currently in the process of negotiating the refinancing of this debt and exploring other means of finance to obtain the best possible terms of finance for the company. Whilst there is a degree of uncertainty as to the outcome of these negotiations, the directors have confidence at this stage that they will be successful.

#### Key performance indicators

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

	2011/12	2010/11
Applications : Acceptance ratio	6.30:1	5.85:1
Core demand pool (no. of students)	15,249	14,706

The indicators above are directly related to performance of Nottingham Trent University and any changes in these statistics may potentially affect the performance of UPP (Nottingham) Limited. The company therefore monitors these indicators on an annual basis for any significant changes. The directors are satisfied that the movements noted above are within tolerable limits.

#### Post balance sheet events

On 12 September 2012, UPP Group Holdings Limited, the largest group of which the company is a member, had a 60% stake acquired by PGGM Vermogensbeheer BV ("PGGM"). PGGM is incorporated in the Netherlands. The largest group of which the company is a member will remain UPP Group Holdings Limited.

#### Financial risk management objectives and policies

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

# UPP (Nottingham) Limited Directors' report (continued) for the year ended 31 August 2012

## Financial risk management objectives and policies (continued)

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

### Interest rate risk

The group finances its operations through a mixture of retained profits, related party borrowings and bank borrowings. The group exposure to interest rate fluctuations on its bank borrowings is managed by the use of interest swaps which fix variable interest rates for a period of time.

### Liquidity risk

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

The maturity of borrowings is set out in note 14 to the financial statements.

### Demand risk

The group is subjected to risks arising from occupancy voids and no nominations by the university partners which can lead to uncertain revenues. This risk is managed by cementing relationships with the university, improved marketing of accommodation and improved third party revenues to compensate for any shortfalls in rental income.

### Portfolio risk

The assets of the group are in the student market and reduced student numbers could impact upon financial performance. The group seeks to mitigate this risk by building excellent long term relationships with its university partner and ensuring up to date in depth market analysis is completed each year to enable the group to review its strategic position.

### Dividend

The directors are unable to propose the payment of a dividend (2011: £Nil).

### Directors and their interests

The directors holding office during the year ended 31 August 2012 and subsequently are:

G Behr	
J Benkel	
A Clapp	(resigned 13 September 2012)
R McClatchey	(resigned 12 September 2012)
S O'Shea	
J Jackson	(appointed 8 February 2012)

At 31 August 2012, none of the directors had any beneficial interests in the shares of the company or in any of the group companies.

### Creditor payment terms

When entering into commitments for the purchase of services and goods, the group gives due consideration to quality, price and the terms of payment. Suppliers are made aware of these terms. The company abides by these terms whenever it is satisfied that suppliers have provided the services or goods in accordance with such agreed terms and conditions. In the event of disputes, efforts are made to resolve these quickly. The average creditor days in the year were 27 days (2011: 40 days).

# UPP (Nottingham) Limited Directors' report (continued) for the year ended 31 August 2012

## Directors' Responsibilities Statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). 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 and profit or loss of the company and group for that year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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

In so far as the directors are aware:

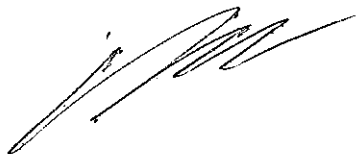
- there is no relevant audit information of which the company's and the group's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Auditor

Having passed elective resolutions of the shareholders the company is exempt from the obligation to annually re-appoint auditors and to hold annual general meetings. Accordingly the board recommend that Grant Thornton UK LLP continue in office as auditor to the company.

On behalf of the Board



G Behr  
Director

11 October 2012





## Report of the independent auditor to the members of UPP (Nottingham) Limited

We have audited the financial statements of UPP (Nottingham) Limited for the year ended 31 August 2012 which comprise consolidated profit and loss account, consolidated statement of total recognised gains and losses, consolidated note of historical cost profits and losses, consolidated and company balance sheets, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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 (APB'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 APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 August 2012 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Emphasis of matter – Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in the going concern paragraph included in the accounting policies in the financial statements concerning the company's ability to continue as a going concern. The company is due to repay its senior debt facility of £91.4m on 31 August 2012 and the directors are currently in the process of negotiating the refinancing of this debt and exploring other means of finance to obtain the best possible terms of finance for the company. These conditions, along with the other matters explained in the going concern paragraph included in the accounting policies to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.



Grant Thornton

## Report of the independent auditor to the members of UPP (Nottingham) Limited (continued)

### Opinion on other matter prescribed by the Companies Act 2006

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

### 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.

*Grant Thornton UK LLP*

Giles Mullins  
Senior Statutory Auditor  
For and on behalf of Grant Thornton UK LLP  
Statutory Auditors, Chartered Accountants

Central Milton Keynes

*29* October 2012

# UPP (Nottingham) Limited

## Consolidated profit and loss account

### for year ended 31 August 2012

		Year ended 31 August 2012 £'000	Year ended 31 August 2011 £'000
	Notes		
Turnover	2	11,959	11,692
Cost of sales		<u>(4,469)</u>	<u>(4,208)</u>
<b>Gross profit</b>		<b>7,490</b>	7,484
Operating expenses		<u>(2,171)</u>	<u>(2,160)</u>
<b>Operating profit</b>	6	<b>5,319</b>	5,324
Interest receivable & similar income	7	<b>23</b>	28
Interest payable & similar charges	8	<u>(7,371)</u>	<u>(7,430)</u>
<b>Loss on ordinary activities before taxation</b>		<b>(2,029)</b>	(2,078)
Tax credit on loss on ordinary activities	9	<b>9</b>	19
<b>Loss for the financial year</b>	17(a)	<u><b>(2,020)</b></u>	<u>(2,059)</u>

The above results all relate to continuing operations.

**UPP (Nottingham) Limited**  
**Consolidated statement of total recognised gains**  
**and losses**  
**for year ended 31 August 2012**



		<b>Year ended</b> <b>31 August</b> <b>2012</b> <b>£'000</b>	Year ended 31 August 2011 £'000
	Notes		
Loss for the financial year	17(a)	<b>(2,020)</b>	(2,059)
Revaluation of principal asset	17(a)	<b>(4,854)</b>	(856)
Actuarial loss relating to pension scheme	18	<b>(403)</b>	246
Deferred tax attributable to actuarial gain	18	<b>81</b>	(83)
<b>Total recognised gains and losses relating to the year</b>		<b><u>(7,196)</u></b>	<b><u>(2,752)</u></b>

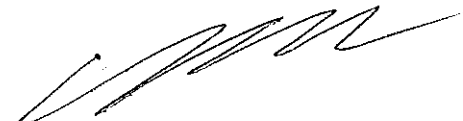
**Consolidated note of historical cost profits and losses**

	<b>Year ended</b> <b>31 August</b> <b>2012</b> <b>£'000</b>	Year ended 31 August 2011 £'000
Reported loss on ordinary activities before taxation	<b>(2,029)</b>	(2,078)
Difference between a historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	<b>104</b>	99
<b>Historical cost loss on ordinary activities before taxation</b>	<b><u>(1,925)</u></b>	<b><u>(1,979)</u></b>

# UPP (Nottingham) Limited Consolidated balance sheet as at 31 August 2012

	Notes	31 August 2012 £'000	31 August 2011 £'000
<b>Fixed assets</b>			
Intangible assets	10	307	320
Tangible assets	11	106,200	111,380
		<u>106,507</u>	<u>111,700</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	12	226	158
Cash at bank and in hand		5,526	7,740
		<u>5,752</u>	<u>7,898</u>
Creditors: amounts falling due within one year	13	(98,892)	(8,028)
<b>Net current liabilities</b>		<u>(93,140)</u>	<u>(130)</u>
<b>Total assets less current liabilities</b>		<u>13,367</u>	<u>111,570</u>
Creditors: amounts falling due after more than one year	14	(14,165)	(105,533)
<b>Provisions for liabilities and charges</b>	15	-	-
<b>Net assets excluding pension liability</b>		<u>(798)</u>	<u>6,037</u>
Pension liability	18	(838)	(478)
		<u>(1,636)</u>	<u>5,559</u>
<b>Share capital and reserves</b>			
Called up share capital	16	82	82
Revaluation reserve	17(a)	13,131	18,088
Profit and loss account	17(a)	(14,849)	(12,611)
		<u>(1,636)</u>	<u>5,559</u>

The financial statements were approved by the board on 26 October 2012 and were signed on its behalf by:

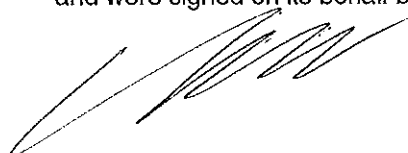


**G Behr**  
Director

**UPP (Nottingham) Limited  
Company balance sheet  
as at 31 August 2012**

		31 August 2012 £'000	31 August 2011 £'000
	Notes		
<b>Fixed assets</b>			
Intangible assets	10	442	455
Tangible assets	11	106,200	111,380
		<u>106,642</u>	<u>111,835</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	12	226	158
Cash at bank and in hand		5,526	7,740
		<u>5,752</u>	<u>7,898</u>
Creditors: amounts falling due within one year	13	(99,027)	(8,163)
<b>Net current liabilities</b>		<u>(93,275)</u>	<u>(265)</u>
<b>Total assets less current liabilities</b>		<u>13,367</u>	<u>111,570</u>
Creditors: amounts falling due after more than one year	14	(14,165)	(105,533)
<b>Provisions for liabilities and charges</b>	15	-	-
<b>Net assets excluding pension liability</b>		<u>(798)</u>	<u>6,037</u>
Pension liability	18	(838)	(478)
		<u>(1,636)</u>	<u>5,559</u>
<b>Share capital and reserves</b>			
Called up share capital	16	82	82
Revaluation reserve	17(b)	13,131	18,088
Profit and loss account	17(b)	(14,849)	(12,611)
		<u>(1,636)</u>	<u>5,559</u>

The financial statements were approved by the board on 26 October 2012  
and were signed on its behalf by:



**G Behr  
Director**

**Registered No: 04288837**

# UPP (Nottingham) Limited

## Notes to the financial statements

### for the year ended 31 August 2012

#### 1. Principal accounting policies

##### (a) Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of fixed assets, and in accordance with applicable accounting standards and the Companies Act 2006. The accounting policies remain unchanged from the previous year.

##### (b) Going concern

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

As disclosed in note 14, the senior debt facility of £91.4m is due for repayment on 31 August 2013. The directors are currently in the process of negotiating the refinancing of this debt and exploring other means of finance to obtain the best possible terms of finance for the company. Whilst there is a degree of uncertainty as to the outcome of these negotiations, the directors have confidence at this stage that they will be successful.

##### (c) Basis of consolidation

The group financial statements consolidate the financial statements of UPP (Nottingham) Limited and its subsidiary undertaking UPP (Gill Street) Limited prepared to 31 August each year using the acquisition method from the date control passes to the group. No profit and loss account is presented for UPP (Nottingham) Limited as permitted by section 408 of the Companies Act 2006. The loss dealt with in the company for the financial year was £2,020,000 (2011: £2,059,000).

##### (d) Cash flow statement

The company has taken advantage of the exemption available under FRS 1 (revised) and has not prepared a cash flow statement by virtue of being a wholly owned subsidiary of UPP Group Holdings Limited.

##### (e) Intangible fixed assets

Goodwill arose on the acquisition of the subsidiary undertakings during the year ended 31 August 2008.

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

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

# UPP (Nottingham) Limited

## Notes to the financial statements (continued)

### for the year ended 31 August 2012

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

##### (f) Presentation of principal asset

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

Each year the group reviews the status of these interests, in accordance with the provisions of FRS 5 (Application Note F), assessing the balance of the significant risks and rewards of ownership of the asset. The appropriate balance sheet treatment of these interests is to treat the asset as a finance receivable asset where the group does not have the majority of significant risks and rewards. Where it does, the asset is treated as a tangible fixed asset.

The directors consider the balance of the risks and rewards lies with the group and therefore the asset is treated as a tangible fixed asset.

##### (g) Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is calculated so as to write off the cost of the tangible fixed assets, less any residual value, over the expected useful economic lives of the assets concerned once construction is complete. The principal rates of depreciation used for this purpose are:

Assets for use in operating leases - annuity method over the term of the lease

The economic benefit of the principal assets for use in operating leases is the return on assets invested into the financing arrangement with the relevant university. The annuity method takes into account the cost of capital notionally invested in the principal asset. Notional interest calculated using the relevant group's actual weighted cost of capital and depreciation combined will give an approximately constant charge to revenue.

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

Where depreciation charges are increased following a revaluation, an amount equal to the increase is transferred annually from the revaluation reserve to the profit and loss account as a movement on reserves.

##### (h) Investments

Fixed asset investments are carried at cost less any provision for impairment in value.

##### (i) Impairment reviews

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

##### (j) Income recognition

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



# UPP (Nottingham) Limited

## Notes to the financial statements (continued)

### for the year ended 31 August 2012

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

##### (k) Debt issue costs

The debt issue costs incurred have been offset against the related debt and will be charged to finance costs at a constant rate on the carrying value of the debt. If it becomes clear that the related debt will be redeemed early then the charge to finance costs will be accelerated. Where there is an early repayment clause within the debt instrument, costs incurred are amortised to the profit and loss account to the earliest opportunity the debt could be repaid

##### (l) Interest rate swaps

Interest rate swaps are used to hedge the group's exposure to movements on interest rates. The fair value of this financial instrument, which may be an asset or a liability to the group, depending upon the market rate, is not recognised in the financial statements as the group is exempt from adopting FRS 26 and has not voluntarily chosen to adopt.

The interest payable on the debt and associated interest rate swaps is accrued for within the financial statements.

Should the group terminate the interest rate swaps earlier than they mature the group may become liable to pay penalties.

##### (m) Taxation

###### (i) Current tax

The charge for current taxation for the year is based on the result for the year, adjusted for disallowable items.

###### (ii) Deferred tax

Full provision has been made for deferred taxation in respect of timing differences that have originated, but not reversed at the balance sheet date where an event has occurred that results in an obligation to pay more or less tax in the future by the balance sheet date except that:

- Provision is made for gains on disposal of assets that have been rolled over into replacement assets only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned.
- Provision is not made for the remittance of a subsidiary, associate or joint venture's earnings that would cause tax to be payable where no commitment has been made to the remittance of the earnings.
- Deferred tax assets are recognised to the extent that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the years in which the timing differences reverse, based on the tax rates enacted at the balance sheet date. Group relief is only accounted for to the extent that a formal policy is in place at the year / period end. Where no policy is in place, current and deferred tax is measured before benefits which may arise from a formal group relief policy.

# UPP (Nottingham) Limited

## Notes to the financial statements (continued)

### for the year ended 31 August 2012

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

##### (n) Pensions

###### (i) Defined contribution pension scheme

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

###### (ii) Defined benefit pension scheme

The company makes contributions to the Nottinghamshire County Council Pension Fund ("NCCPF") in respect of 57 employees.

The amounts charged to the operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

The assets of the NCCPF are measured using closing market values. The liabilities are measured using the projected unit method and are discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

#### 2. Turnover

Turnover represents income, on the basis of accounting policy 1(j), excluding VAT, attributed to the provision of student accommodation.

#### 3. Directors' remuneration

The directors accrued £10,000 (2011: £5,000) in respect of services performed in connection of the management of the affairs of this group.

#### 4. Auditors' remuneration

	Year ended 31 August 2012 £'000	Year ended 31 August 2011 £'000
Fees payable to the Company's auditor for the audit of the company's annual accounts	18	18
Fees payable to the Company's auditor and its associates for other services:		
Tax services	4	4
	<u>22</u>	<u>22</u>

**UPP (Nottingham) Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 August 2012**

**5. Employee information**

The average number of persons employed by the group during the year was as follows:

	<b>2012</b>	2011
	<b>Number</b>	Number
Site managers (full time)	<b>2</b>	2
Administration, maintenance and cleaning (full and part time)	<b>108</b>	102
	<b>110</b>	104

The employment costs of all employees included above were:

	<b>Year ended</b>	Year ended
	<b>31 August</b>	31 August
	<b>2012</b>	2011
	<b>£'000</b>	£'000
Wages and salaries	<b>1,717</b>	1,536
Social security costs	<b>127</b>	109
Other pension costs (see note 18)	<b>112</b>	121
	<b>1,956</b>	1,766

'Other pension costs' includes only those items included within operating costs. Items reported elsewhere have been excluded.

**6. Operating profit**

The operating profit is stated after charging:

	<b>Year ended</b>	Year ended
	<b>31 August</b>	31 August
	<b>2012</b>	2011
	<b>£'000</b>	£'000
Amortisation of goodwill	<b>13</b>	12
Depreciation	<b>631</b>	592

**7. Interest receivable and similar income**

	<b>Year ended</b>	Year ended
	<b>31 August</b>	31 August
	<b>2012</b>	2011
	<b>£'000</b>	£'000
Interest on cash balances	<b>23</b>	28

**8. Interest payable and similar charges**

	<b>Year ended</b>	Year ended
	<b>31 August</b>	31 August
	<b>2012</b>	2011
	<b>£'000</b>	£'000
Bank loan interest	<b>5,652</b>	5,644
Subordinated loan interest	<b>1,695</b>	1,766
Net return on pension scheme (see note 18)	<b>24</b>	20
	<b>7,371</b>	7,430

**UPP (Nottingham) Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 August 2012**

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

	<b>31 August 2012 £'000</b>	31 August 2011 £'000
<b>a) Analysis of charge for the year</b>		
Current tax on income for the year (note 9b)	-	-
Deferred tax:		
Current year (note 15)	-	-
Current year – defined benefit pension scheme	(12)	(15)
Rate difference – defined pension scheme	3	(4)
<b>Tax on loss on ordinary activities</b>	<b>(9)</b>	<b>(19)</b>

**b) Factors affecting current tax charge for the year**

The tax assessed for the year is higher (2011: higher) than the standard rate of corporation tax in the UK 25% (2011: 27%). The differences are explained below:

	<b>31 August 2012 £'000</b>	31 August 2011 £'000
Loss on ordinary activities before tax	<b>(2,029)</b>	(2,079)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 25% (2011: 27%)	<b>(507)</b>	(561)
<i>Effects of:</i>		
Disallowable expenses	<b>119</b>	124
Capital allowances in excess of depreciation	<b>(99)</b>	(110)
Lease premium relief and other timing differences	-	-
Unutilised tax losses	<b>475</b>	532
Defined benefit pension scheme	<b>12</b>	15
<b>Current tax charge for the year (note 9a)</b>	<b>-</b>	-

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

A deferred tax asset of £2,056,000 (2011: £3,708,000) in respect of available tax losses has not been recognised at 31 August 2011. This is due to there being no persuasive and reliable evidence available at this time of suitable profits to offset these losses.

No provision has been made for deferred tax on gains recognised on revaluing property to its market value. Such tax would become payable only if the property were sold without it being possible to claim rollover relief. The total amount unprovided is £nil (2011: £1,790,000). At present, it is not envisaged that any tax will become payable in the foreseeable future.

**UPP (Nottingham) Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 August 2012**

**10. Intangible fixed assets**

	<b>Positive Goodwill £'000 Group</b>	<b>Positive Goodwill £'000 Company</b>
<b>Cost</b>		
<b>At 1 September 2011 and at 31 August 2012</b>	<b>356</b>	<b>491</b>
<b>Amortisation</b>		
At 1 September 2011	(36)	(36)
Charge during the year	(13)	(13)
<b>At 31 August 2012</b>	<b>(49)</b>	<b>(49)</b>
<b>Net book value</b>		
<b>At 31 August 2012</b>	<b>307</b>	<b>442</b>
At 31 August 2011	320	455

Goodwill arose on the acquisition of a subsidiary undertaking during the year ended 31 August 2008.

**11. Tangible fixed assets**

	<b>Group and Company Assets for use in operating leases £'000</b>
<b>Cost or valuation</b>	
At 1 September 2011	111,380
Additions	304
Revaluation	(5,484)
<b>At 31 August 2012</b>	<b>106,200</b>
<b>Depreciation</b>	
At 1 September 2011	-
Charge during the year	(631)
Adjustment on revaluation	631
<b>At 31 August 2012</b>	<b>-</b>
<b>Net book value</b>	
<b>At 31 August 2012</b>	<b>106,200</b>
At 31 August 2011	111,380

The fixed asset includes finance costs up to the date of completion of £991,000.

Assets used in operating leases were independently valued by Jones Lange LaSalle ("JLL"), Chartered Surveyors, on an existing use basis at 31 August 2012 with subsequent additions at cost. The valuation was completed as at 31 August 2012. JLL have confirmed that the value as at that date was £106,200,000.

**Notes to the financial statements (continued)  
for the year ended 31 August 2012**

**11. Tangible fixed assets (continued)**

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

	<b>Assets for use in operating leases 31 August 2012 £'000</b>	Assets for use in operating leases 31 August 2011 £'000
Cost	<b>95,015</b>	94,711
Depreciation	<b>(1,944)</b>	(1,417)
Net book value	<b><u>93,071</u></b>	<u>93,294</u>

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

	<b>31 August 2012 £'000 Group &amp; Company</b>	31 August 2011 £'000 Group & Company
Trade debtors	<b>2</b>	-
Amounts owed by related parties	<b>122</b>	70
Amount owed from parent company	<b>89</b>	66
Prepayments and accrued income	<b>13</b>	22
	<b><u>226</u></b>	<u>158</u>

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

	<b>31 August 2012 £'000 Group</b>	<b>31 August 2012 £'000 Company</b>	31 August 2011 £'000 Group	31 August 2011 £'000 Company
Bank loans	<b>91,368</b>	<b>91,368</b>	209	209
Trade creditors	<b>6</b>	<b>6</b>	9	9
Amount owed to related parties	<b>826</b>	<b>826</b>	535	352
Amounts owed to group undertakings	<b>2,433</b>	<b>2,433</b>	3,019	3,019
Amounts owed to parent company	<b>1,062</b>	<b>1,062</b>	1,827	1,827
Amounts owed to subsidiary company	<b>-</b>	<b>135</b>	-	135
Accruals & deferred income	<b>3,197</b>	<b>3,197</b>	2,429	2,649
	<b><u>98,892</u></b>	<b><u>99,027</u></b>	<u>8,028</u>	<u>8,163</u>

Notes to the financial statements (continued)  
for the year ended 31 August 2012

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

	Year ended 31 August 2012 £'000 Group & Company	Year ended 31 August 2011 £'000 Group & Company
Senior debt	91,368	91,577
Secured subordinated loan notes	14,165	14,165
	<u>105,533</u>	<u>105,742</u>
Less: included in creditors amounts falling due within one year	(91,368)	(209)
	<u>14,165</u>	<u>105,533</u>

**Maturity of debt**

Repayable within one year or on demand	91,368	209
Repayable in more than one year but less than two years	405	91,368
Repayable in more than two years but less than five years	1,214	1,214
Repayable in more than five years	12,546	12,951
	<u>105,533</u>	<u>105,742</u>
Less: included in creditors amounts falling due within one year	(91,368)	(209)
	<u>14,165</u>	<u>105,533</u>

Loan amounts drawn down to date on the senior facility of £91,966,000 (2011: £91,966,000) are part of a total agreed facility of £91,966,000. The facility is fully utilised.

**Senior debt**

The senior debt is repayable on 31 August 2013 with principal repayments having commenced in August 2008. The interest rate is fixed via a swap at a rate of 5.46% plus a variable margin.

The senior loan debt is secured by way of a first fixed charge over the tangible fixed asset. Furthermore, the terms of the finance agreement provide that the lender will seek repayment of the finance, as to both principal and interest, only to the extent that sufficient funds are generated by the specific asset financed and it will not seek recourse to the group in any other form. The group is not obliged to support any losses, nor does it intend to do so.

**Secured subordinated loan notes**

The subordinated loan notes are being provided by UPP Group Limited and Nottingham Trent University. The loan notes are subject to the same security as the senior debt facilities but are subordinated to the right of payment of senior debt providers.

The loan notes will be repaid by 2048 and are subject to an effective interest rate of 11.80%.

Notes to the financial statements (continued)  
for the year ended 31 August 2012

15. Provisions for liabilities

	31 August 2012 £'000 Group & Company	31 August 2011 £'000 Group & Company
<b>Deferred tax liability/ (asset)</b>		
At 1 September	-	-
On acquisition	-	-
Charged to profit & loss account	-	-
<b>At 31 August</b>	<u>-</u>	<u>-</u>
<b>Deferred tax</b>	<b>31 August 2012 £'000 Group &amp; Company</b>	<b>31 August 2011 £'000 Group &amp; Company</b>
The deferred tax liability / (asset) consists of:		
Accelerated capital allowances	2,519	2,639
Other timing differences	(2,519)	(2,639)
<b>Total deferred tax liability / (asset)</b>	<u>-</u>	<u>-</u>

16. Called up share capital

	31 August 2012 £'000	31 August 2011 £'000
<b>Authorised</b>		
65,671 A Ordinary shares of £1 each	66	66
16,418 B Ordinary shares of £1 each	16	16
	<u>82</u>	<u>82</u>
<b>Allotted, called up and fully paid</b>		
65,671 A Ordinary shares of £1 each	66	66
16,418 B Ordinary shares of £1 each	16	16
	<u>82</u>	<u>82</u>

The voting rights on the 'A' Ordinary shares in issue are such as to confer 85% of the total voting rights, with the 'B' Ordinary shares carrying 15% of the total voting rights. Other than this the 'A' and 'B' shares rank pari passu.



## Notes to the financial statements (continued)

### for the year ended 31 August 2012

#### 17. Reconciliation of shareholders' funds and movement on reserves

##### (a) Group

	Share capital	Revaluation reserve	Profit and loss account	Total shareholders' funds
	£'000	£'000	£'000	£'000
<b>At 1 September 2011</b>	<b>82</b>	<b>18,088</b>	<b>(12,611)</b>	<b>5,559</b>
Transfer to profit and loss	-	(104)	104	-
Loss for the year	-	-	(2,020)	(2,020)
Revaluation	-	(4,853)	-	(4,853)
Actuarial gain on pension scheme	-	-	(403)	(403)
Deferred tax on actuarial gain on pension scheme	-	-	81	81
<b>At 31 August 2012</b>	<b>82</b>	<b>13,130</b>	<b>(14,849)</b>	<b>(1,636)</b>

##### (b) Company

	Share capital	Revaluation reserve	Profit and loss account	Total shareholders' funds
	£'000	£'000	£'000	£'000
<b>At 1 September 2011</b>	<b>82</b>	<b>18,088</b>	<b>(12,611)</b>	<b>5,559</b>
Transfer to profit and loss	-	(104)	104	-
Loss for the year	-	-	(2,020)	(2,020)
Revaluation	-	(4,853)	-	(4,853)
Actuarial gain on pension scheme	-	-	(403)	(403)
Deferred tax on actuarial gain on pension scheme	-	-	81	81
<b>At 31 August 2012</b>	<b>82</b>	<b>13,131</b>	<b>(14,849)</b>	<b>(1,636)</b>

#### 18. Retirement benefit schemes

##### *Defined contribution scheme*

The Group operates a defined contribution retirement benefit scheme for all qualifying employees. The total cost charged to the profit and loss account of £19,000 (2011: £14,000) represents a pre-determined amount of the employee's salary paid into the scheme. As at 31 August 2012 £Nil (2011: £Nil) contributions remained outstanding.

##### *Defined benefit scheme*

Retirement benefits for 57 Group employees are provided by a defined benefit scheme which is funded by contributions by the employee and the Group. Payments are made to Nottinghamshire County Council Pension Fund ("NCCPF"). This is an independently administered scheme and contracted out of the State Earnings Related Pension Scheme.

**Notes to the financial statements (continued)  
for the year ended 31 August 2012**

**18. Retirement benefit schemes (continued)**

The NCCPF is valued every three years by a professionally qualified independent actuary using the projected unit method, the rates of contribution payable being determined by the trustees on the advice of the actuary and during this account period were equal to 14.9%. A valuation by the Fund's actuary was carried out at 31 March 2010.

The material assumptions used by the Actuary at 31 August 2012 were:

	<b>31 August 2012</b>	31 August 2011
Rate of inflation	3.4%	3.4%
Rate of increase in salaries	4.9%	4.9%
Rate of increase in pensions	2.6%	2.6%
Discount rate for liabilities	5.4%	5.4%

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement at age of 65 are:

	<b>31 August 2012 Years</b>	31 August 2011 Years
<i>Retiring today</i>		
Males	<b>18.6</b>	18.5
Females	<b>22.7</b>	22.6
<i>Retiring in 20 years</i>		
Males	<b>20.6</b>	20.5
Females	<b>24.5</b>	24.5

Amounts recognised in the operating profit in respect of the defined benefit scheme are as follows:

	<b>31 August 2012 £'000</b>	31 August 2011 £'000
Current service cost	<b>83</b>	97
Past service cost	-	-
	<b>83</b>	97

Amounts recognised in the interest payable and other charges in respect of the defined benefit scheme are as follows:

	<b>31 August 2012 £'000</b>	31 August 2011 £'000
Interest cost	<b>141</b>	127
Expected return on scheme assets	<b>(117)</b>	(107)
	<b>24</b>	20

Notes to the financial statements (continued)  
for the year ended 31 August 2012

18. Retirement benefit schemes (continued)

Amounts recognised in the statement of total recognised gains and losses are as follows:

	<b>31 August 2012 £'000</b>	31 August 2011 £'000
Actual return less expected return on pension scheme assets	<b>26</b>	26
Changes in assumptions underlying the present value of scheme liabilities	<b>(429)</b>	220
	<b><u>(403)</u></b>	<u>246</u>

The actual return on scheme assets was £145,000 (2011: £134,000).

The amount included in the balance sheet arising from the Group's obligations in respect of its defined benefit scheme is as follows:

	<b>31 August 2012 £'000</b>	31 August 2011 £'000
Present value of defined benefit obligations	<b>(3,219)</b>	(2,584)
Fair value of scheme assets	<b>2,132</b>	1,947
	<b><u>(1,087)</u></b>	<u>(637)</u>
Past service cost not yet recognised in balance sheet	-	-
Deficit	<b>(1,087)</b>	(637)
Related deferred tax asset	<b>249</b>	159
Net liability recognised	<b><u>(838)</u></b>	<u>(478)</u>

Movements in the present value of defined benefit obligations were as follows:

	<b>31 August 2012 £'000</b>	31 August 2011 £'000
At 1 September	<b>637</b>	827
Current service cost	<b>83</b>	97
Contributions	<b>(60)</b>	(61)
Interest cost	<b>24</b>	20
Actuarial loss / (gain)	<b>403</b>	(246)
At 31 August	<b><u>1,087</u></b>	<u>637</u>

**UPP (Nottingham) Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 August 2012**

**18. Retirement benefit schemes (continued)**

Movements in the fair value of the scheme assets were as follows:

	<b>31 August 2012 £'000</b>	31 August 2011 £'000
At 1 September	1,947	1,786
Expected return on scheme assets	117	107
Actuarial gains and losses	26	26
Employer contributions	60	61
Employee contributions	24	27
Benefits paid	(42)	(60)
At 31 August	<b>2,132</b>	1,947

The analysis of the scheme assets and the expected rate of return at the balance sheet date was as follows:

	<b>2012</b>		<b>2011</b>	
	Long term rate of return expected at 31 August	Value at 31 August	Long term rate of return expected at 31 August	Value at 31 August
	%	£'000	%	£'000
Equities	67	1,429	70	1,363
Government bonds	10	213	8	156
Other bonds	4	85	4	78
Property	13	277	12	234
Cash	4	85	5	97
Other	2	43	1	19
Total market value of assets	<b>100</b>	<b>2,132</b>	100	1,947

The estimated amounts of contributions expected to be paid to the scheme during the 2013 financial year is £59,000 (2012: £63,000).

The most recent triennial valuation of the group's pension scheme for funding purposes has been performed in March 2010. The group will monitor funding levels annually and the funding schedule will be reviewed between the Group and the directors every three years, based on actuarial valuations. The next triennial valuation is due to be completed at 31 August 2013. The Group considers that the contribution rates agreed with the directors are sufficient to eliminate the current deficit over the agreed period.

# UPP (Nottingham) Limited

## Notes to the financial statements (continued)

### for the year ended 31 August 2012



#### 19. Parent undertaking and controlling party

The company is owned by UPP Group Limited and Nottingham Trent University.

UPP Group Limited is a wholly owned subsidiary of UPP Group Holdings Limited. UPP Group Holdings Limited is controlled by a 60% stake held by PGGM Vermogensbeheer BV ("PGGM"). The remaining 40% is held by The Alma Mater Fund LP (acting through its general partner Barclays Alma Mater General Partner Limited), Barclays European Infrastructure Fund (UPP) LP (acting through its general partner Barclays European Infrastructure Limited) and Barclays European Infrastructure Fund II LP (acting through its Barclays European Infrastructure II Limited). The Alma Mater Fund LP and Barclays Alma Mater General Partner Limited are collectively referred to as 'Alma Mater'.

It is the directors' opinion that the ultimate controlling party changed from Alma Mater to PGGM on 12 September 2012.

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

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

#### 20. Related party transactions

UPP Group Limited, UPP Warehouse Limited and UPP Residential Services Limited are subsidiaries of PGGM. Therefore the directors consider that UPP Group Limited, UPP Warehouse Limited, UPP Residential Services Limited and Nottingham Trent University are related companies.

##### Group and Company

The group incurred costs of £1,249,000 (2011: £1,087,000) in respect to services provided by the Nottingham Trent University. An amount of £826,000 (2011: £316,000) remains outstanding at the balance sheet date and is included within creditors falling due within one year. The group also received income of £12,253,000 (2011: £11,697,000) in respect to services provided to the university. An amount of £122,000 (2011: £70,000) remains outstanding at the balance sheet date and is included within debtors falling due within one year.

The group incurred £4,814,000 (2011: £4,322,000) in respect of services provided by UPP Residential Services Limited. An amount of £504,000 (2011: £1,089,000) remains outstanding at the balance sheet date and is included within creditors falling due within one year.

The group incurred costs of £1,072,000 (2011: £1,141,000) in respect of services provided by UPP Group Limited. An amount of £1,062,000 (2011: £1,827,000) remained outstanding at the balance sheet date and was included within creditors falling due within one year. An amount of £89,000 (2011: £66,000) remains outstanding at the balance sheet date and is included within debtors falling due within one year.

An amount of £1,931,000 (2011: £1,931,000) remained outstanding at the balance sheet date in respect of services provided by UPP Warehouse Limited and is included within debtors falling due within one year.

#### 21. Post balance sheet event

On 12 September 2012, UPP Group Holdings Limited, the largest group of which the company is a member, had a 60% stake acquired. PGGM is incorporated in the Netherlands. The largest group of which the company is a member will remain UPP Group Holdings Limited.

**UPP (Nottingham) Limited  
Report and financial statements**

**For the year ended 31 August 2011**

# UPP (Nottingham) Limited Report and financial statements for the year ended 31 August 2011

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# UPP (Nottingham) Limited Directors and advisors



## Directors

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

## Secretary

J Benkel

## Auditor

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

## Registered office

40 Gracechurch Street  
London  
EC3V 0BT



# UPP (Nottingham) Limited

## Directors' report

### for the year ended 31 August 2011



The directors present their report and financial statements for the year ended 31 August 2011.

#### Results, principal activity and review of the business

The group and company's principal activity is the operation of student accommodation and the provision of related facilities management services for Nottingham Trent University under the University Partnerships Programme.

The building has achieved full occupancy during the academic year. The year end financial position was in accordance with the directors' expectations. The directors anticipate that the future level of activity will be in accordance with their expectations and consider that the project will yield returns in line with current forecasts.

The group loss for the year attributable to shareholders and reported in the financial statements is £2,059,000 (2010: £1,702,000).

#### Going concern

The directors have reviewed the group's projected profits and cash flows which they have prepared on the basis of a detailed analysis of the group's finances, contracts and likely future demand trends. After consideration of these projections and the existence of a net liability position 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.

#### Key performance indicators

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

	2010/11	2009/10
Applications : Acceptance ratio	5.85:1	4.54:1
Core demand pool (no. of students)	14,706	13,610

The indicators above are directly related to performance of Nottingham Trent University and any changes in these statistics may potentially affect the performance of UPP (Nottingham) Limited. The company therefore monitors these indicators on an annual basis for any significant changes. The directors are satisfied that the movements noted above are within tolerable limits.

#### Financial risk management objectives and policies

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

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

# UPP (Nottingham) Limited

## Directors' report (continued)

### for the year ended 31 August 2011

#### Interest rate risk

The group finances its operations through a mixture of retained profits, related party borrowings and bank borrowings. The group exposure to interest rate fluctuations on its bank borrowings is managed by the use of interest swaps which fix variable interest rates for a period of time.

#### Liquidity risk

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

The maturity of borrowings is set out in note 15 to the financial statements.

#### Demand risk

The group is subjected to risks arising from occupancy voids and no nominations by the university partners which can lead to uncertain revenues. This risk is managed by cementing relationships with the university, improved marketing of accommodation and improved third party revenues to compensate for any shortfalls in rental income.

#### Portfolio risk

The assets of the group are in the student market and reduced student numbers could impact upon financial performance. The group seeks to mitigate this risk by building excellent long term relationships with its university partner and ensuring up to date in depth market analysis is completed each year to enable the group to review its strategic position.

#### Dividend

The directors are unable to propose the payment of a dividend (2010: £Nil).

#### Directors and their interests

The directors holding office during the year ended 31 August 2011 and subsequently are:

M Allen	(resigned 18 February 2011)
G Behr	
J Benkel	(appointed 18 February 2011)
A Clapp	(appointed 18 February 2011)
R McClatchey	(appointed 17 June 2011)
S O'Shea	

At 31 August 2011, none of the directors had any beneficial interests in the shares of the company or in any of the group companies.

#### Creditor payment terms

When entering into commitments for the purchase of services and goods, the group gives due consideration to quality, price and the terms of payment. Suppliers are made aware of these terms. The company abides by these terms whenever it is satisfied that suppliers have provided the services or goods in accordance with such agreed terms and conditions. In the event of disputes, efforts are made to resolve these quickly. The average creditor days in the year were 40 days (2010: 30 days).

# UPP (Nottingham) Limited Directors' report (continued) for the year ended 31 August 2011

## Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). 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 and profit or loss of the company and group for that year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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

In so far as the directors are aware:

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Auditor

Having passed elective resolutions of the shareholders the company is exempt from the obligation to annually re-appoint auditors and to hold annual general meetings. Accordingly the board recommend that Grant Thornton UK LLP continue in office as auditor to the company.

On behalf of the Board



G Behr  
Director

24 November 2011

## **Report of the independent auditor to the members of UPP (Nottingham) Limited**

We have audited the financial statements of UPP (Nottingham) Limited for the year ended 31 August 2011 which comprise consolidated profit and loss account, consolidated statement of total recognised gains and losses, consolidated note of historical cost profits and losses, consolidated and company balance sheet, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, 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 (APB'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 APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 August 2011 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

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

## Report of the independent auditor to the members of UPP (Nottingham) 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.

*Grant Thornton UK LLP*

**Giles Mullins**  
**Senior Statutory Auditor**  
For and on behalf of Grant Thornton UK LLP  
Statutory Auditors, Chartered Accountants

Central Milton Keynes

*24* November 2011

# UPP (Nottingham) Limited

## Consolidated profit and loss account

### for year ended 31 August 2011

		Year ended 31 August 2011 £'000	Restated Year ended 31 August 2010 £'000
Turnover	2	11,692	11,185
Cost of sales		<u>(4,208)</u>	<u>(4,052)</u>
<b>Gross profit</b>		<b>7,484</b>	7,133
Operating expenses		<u>(2,160)</u>	<u>(1,392)</u>
<b>Operating profit</b>	6	<b>5,324</b>	5,741
Interest receivable & similar income	7	<b>28</b>	19
Interest payable & similar charges	8	<u>(7,430)</u>	<u>(7,485)</u>
<b>Loss on ordinary activities before taxation</b>		<b>(2,078)</b>	(1,725)
Tax credit on loss on ordinary activities	9	<b>19</b>	23
<b>Loss for the financial year</b>	18	<u><b>(2,059)</b></u>	<u>(1,702)</u>

The above results all relate to continuing operations.

**UPP (Nottingham) Limited**  
**Consolidated statement of total recognised gains**  
**and losses**  
**for year ended 31 August 2011**



		Year ended 31 August 2011 £'000	Restated Year ended 31 August 2010 £'000
Loss for the financial year	18	<u>(2,059)</u>	<u>(1,702)</u>
Revaluation of principal asset	18	(856)	-
Actuarial gain relating to pension scheme	19	246	165
Deferred tax attributable to actuarial gain	19	(83)	(60)
<b>Total recognised gains and losses relating to the year</b>		<u><b>(2,752)</b></u>	<u><b>(1,597)</b></u>

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

		Year ended 31 August 2011 £'000	Restated Year ended 31 August 2010 £'000
Reported loss on ordinary activities before taxation		<u>(2,078)</u>	<u>(1,725)</u>
Difference between a historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount		99	92
<b>Historical cost loss on ordinary activities before taxation</b>		<u><b>(1,979)</b></u>	<u><b>(1,633)</b></u>

**UPP (Nottingham) Limited  
Consolidated balance sheet  
as at 31 August 2011**

		31 August 2011 £'000	Restated 31 August 2010 £'000
<b>Fixed assets</b>			
Intangible assets	11	320	332
Tangible assets	12	111,380	112,790
		<u>111,700</u>	<u>113,122</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	13	158	232
Cash at bank and in hand		7,740	7,674
		<u>7,898</u>	<u>7,906</u>
Creditors: amounts falling due within one year	14	<u>(8,028)</u>	<u>(6,371)</u>
<b>Net current (liabilities)/assets</b>		<u>(130)</u>	<u>1,535</u>
<b>Total assets less current liabilities</b>		<u>111,570</u>	<u>114,657</u>
Creditors: amounts falling due after more than one year	15	(105,533)	(105,742)
<b>Provisions for liabilities and charges</b>	16	-	-
<b>Net assets excluding pension liability</b>		<u>6,037</u>	<u>8,915</u>
Pension liability	19	(478)	(604)
		<u>5,559</u>	<u>8,311</u>
<b>Share capital and reserves</b>			
Called up share capital	17	82	82
Profit and loss account	18	(12,611)	(10,814)
Revaluation reserve	18	18,088	19,043
		<u>5,559</u>	<u>8,311</u>

The financial statements were approved by the board on 24 November 2011  
and were signed on its behalf by:



G Behr  
Director



**UPP (Nottingham) Limited  
Company balance sheet  
as at 31 August 2011**

		31 August 2011 £'000	Restated 31 August 2010 £'000
<b>Fixed assets</b>			
Intangible assets	11	455	467
Tangible assets	12	111,380	112,790
		<u>111,835</u>	<u>113,257</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	13	158	232
Cash at bank and in hand		7,740	7,674
		<u>7,898</u>	<u>7,906</u>
Creditors: amounts falling due within one year	14	(8,163)	(6,506)
<b>Net current (liabilities)/assets</b>		<u>(265)</u>	<u>1,400</u>
<b>Total assets less current liabilities</b>		<u>111,570</u>	<u>114,657</u>
Creditors: amounts falling due after more than one year	15	(105,533)	(105,742)
Provisions for liabilities and charges	16	-	-
<b>Net assets excluding pension liability</b>		<u>6,037</u>	<u>8,915</u>
Pension liability	19	(478)	(604)
		<u>5,559</u>	<u>8,311</u>
<b>Share capital and reserves</b>			
Called up share capital	17	82	82
Profit and loss account	18	(12,611)	(10,814)
Revaluation reserve	18	18,088	19,043
		<u>5,559</u>	<u>8,311</u>

The financial statements were approved by the board on 24 November 2011 and were signed on its behalf by:



G Behr  
Director

Registered No: 4288837

# UPP (Nottingham) Limited

## Notes to the financial statements

### for the year ended 31 August 2011

#### 1. Principal accounting policies

##### (a) Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of fixed assets, and in accordance with applicable accounting standards and the Companies Act 2006. The accounting policies remain unchanged from the previous year with the exception of the treatment of the pensions. The Company has identified that a defined benefit pension that had previously been treated as a defined contribution pension will now be treated in accordance with FRS 17 *Retirement Benefit*. The effect of the change in the accounting policy is to recognise a pension liability of £478,000 (2010: £604,000). Further details are shown in note 10.

##### (b) Going concern

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

##### (c) Basis of consolidation

The group financial statements consolidate the financial statements of UPP (Nottingham) Limited and its subsidiary undertaking UPP (Gill Street) Limited prepared to 31 August each year using the acquisition method from the date control passes to the group. No profit and loss account is presented for UPP (Nottingham) Limited as permitted by section 408 of the Companies Act 2006. The loss dealt with in the company for the financial year was £2,059,000 (2010 restated: £1,702,000).

##### (d) Cash flow statement

The company has taken advantage of the exemption available under FRS 1 (revised) and has not prepared a cash flow statement by virtue of being a wholly owned subsidiary of UPP Group Holdings Limited.

##### (e) Intangible fixed assets

Goodwill arose on the acquisition of the subsidiary undertakings during the year ended 31 August 2008.

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

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

# UPP (Nottingham) Limited

## Notes to the financial statements (continued)

### for the year ended 31 August 2011

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

##### (f) Presentation of principal asset

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

Each year the group reviews the status of these interests, in accordance with the provisions of FRS 5 (Application Note F), assessing the balance of the significant risks and rewards of ownership of the asset. The appropriate balance sheet treatment of these interests is to treat the asset as a finance receivable asset where the group does not have the majority of significant risks and rewards. Where it does, the asset is treated as a tangible fixed asset.

The directors consider the balance of the risks and rewards lies with the group and therefore the asset is treated as a tangible fixed asset.

##### (g) Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is calculated so as to write off the cost of the tangible fixed assets, less any residual value, over the expected useful economic lives of the assets concerned once construction is complete. The principal rates of depreciation used for this purpose are:

Assets for use in operating leases - annuity method over the term of the lease

The economic benefit of the principal assets for use in operating leases is the return on assets invested into the financing arrangement with the relevant university. The annuity method takes into account the cost of capital notionally invested in the principal asset. Notional interest calculated using the relevant group's actual weighted cost of capital and depreciation combined will give an approximately constant charge to revenue.

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

Where depreciation charges are increased following a revaluation, an amount equal to the increase is transferred annually from the revaluation reserve to the profit and loss account as a movement on reserves.

##### (h) Investments

Fixed asset investments are carried at cost less any provision for impairment in value.

##### (i) Impairment reviews

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

##### (j) Income recognition

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

# UPP (Nottingham) Limited

## Notes to the financial statements (continued)

### for the year ended 31 August 2011

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

##### (k) Debt issue costs

The debt issue costs incurred have been offset against the related debt and will be charged to finance costs at a constant rate on the carrying value of the debt. If it becomes clear that the related debt will be redeemed early then the charge to finance costs will be accelerated. Where there is an early repayment clause within the debt instrument, costs incurred are amortised to the profit and loss account to the earliest opportunity the debt could be repaid

##### (l) Interest rate swaps

Interest rate swaps are used to hedge the group's exposure to movements on interest rates. The fair value of this financial instrument, which may be an asset or a liability to the group, depending upon the market rate, is not recognised in the financial statements as the group is exempt from adopting FRS 26 and has not voluntarily chosen to adopt.

The interest payable on the debt and associated interest rate swaps is accrued for within the financial statements.

Should the group terminate the interest rate swaps earlier than they mature the group may become liable to pay penalties.

##### (m) Taxation

###### (i) Current tax

The charge for current taxation for the year is based on the result for the year, adjusted for disallowable items.

###### (ii) Deferred tax

Full provision has been made for deferred taxation in respect of timing differences that have originated, but not reversed at the balance sheet date where an event has occurred that results in an obligation to pay more or less tax in the future by the balance sheet date except that:

- Provision is made for gains on disposal of assets that have been rolled over into replacement assets only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned.
- Provision is not made for the remittance of a subsidiary, associate or joint venture's earnings that would cause tax to be payable where no commitment has been made to the remittance of the earnings.
- Deferred tax assets are recognised to the extent that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the years in which the timing differences reverse, based on the tax rates enacted at the balance sheet date. Group relief is only accounted for to the extent that a formal policy is in place at the year / period end. Where no policy is in place, current and deferred tax is measured before benefits which may arise from a formal group relief policy.

# UPP (Nottingham) Limited

## Notes to the financial statements (continued)

### for the year ended 31 August 2011

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

##### (n) Pensions

###### (i) Defined contribution pension scheme

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

###### (ii) Defined benefit pension scheme

The company makes contributions to the Nottinghamshire County Council Pension Fund ("NCCPF") in respect of 57 employees.

The amounts charged to the operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

The assets of the NCCPF are measured using closing market values. The liabilities are measured using the projected unit method and are discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

#### 2. Turnover

Turnover represents income, on the basis of accounting policy 1(j), excluding VAT, attributed to the provision of student accommodation.

#### 3. Directors' remuneration

The directors accrued £5,000 (2010: £5,000) in respect of services performed in connection of the management of the affairs of this group.

#### 4. Auditors' remuneration

	Year ended 31 August 2011 £'000	Year ended 31 August 2010 £'000
Fees payable to the Company's auditor for the audit of the company's annual accounts	18	17
Fees payable to the Company's auditor and its associates for other services:		
Audit of the company's subsidiaries	-	1
Tax services	4	3
	<u>22</u>	<u>21</u>

**UPP (Nottingham) Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 August 2011**

**5. Employee information**

The average number of persons employed by the group during the year was as follows:

	<b>2011</b>	2010
	<b>Number</b>	Number
Site managers (full time)	<b>2</b>	1
Administration, maintenance and cleaning (full and part time)	<b>102</b>	101
	<b>104</b>	102

The employment costs of all employees included above were:

	<b>Year ended</b>	Restated
	<b>31 August</b>	Year ended
	<b>2011</b>	31 August
	<b>£'000</b>	£'000
Wages and salaries	<b>1,536</b>	1,456
Social security costs	<b>109</b>	103
Other pension costs (see note 19)	<b>121</b>	96
	<b>1,766</b>	1,655

'Other pension costs' includes only those items included within operating costs. Items reported elsewhere have been excluded.

**6. Operating profit**

The operating profit is stated after charging:

	<b>Year ended</b>	Year ended
	<b>31 August</b>	31 August
	<b>2011</b>	2010
	<b>£'000</b>	£'000
Amortisation of goodwill	<b>12</b>	13
Depreciation	<b>592</b>	550

**7. Interest receivable and similar income**

	<b>Year ended</b>	Year ended
	<b>31 August</b>	31 August
	<b>2011</b>	2010
	<b>£'000</b>	£'000
Interest on cash balances	<b>28</b>	19

**8. Interest payable and similar charges**

	<b>Year ended</b>	Restated
	<b>31 August</b>	Year ended
	<b>2011</b>	31 August
	<b>£'000</b>	2010
	<b>£'000</b>	£'000
Bank loan interest	<b>5,644</b>	5,697
Subordinated loan interest	<b>1,766</b>	1,751
Net return on pension scheme (see note 19)	<b>20</b>	37
	<b>7,430</b>	7,485

**UPP (Nottingham) Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 August 2011**

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

	<b>31 August 2011 £'000</b>	Restated 31 August 2010 £'000
<b>a) Analysis of charge for the year</b>		
Current tax on income for the year (note 9b)	-	-
Deferred tax:		
Current year (note 15)	-	-
Current year – defined benefit pension scheme	(15)	(18)
Rate difference – defined pension scheme	(4)	(5)
<b>Tax on loss on ordinary activities</b>	<b>(19)</b>	<b>(23)</b>

**b) Factors affecting current tax charge for the year**

The tax assessed for the year is higher (2010: higher) than the standard rate of corporation tax in the UK 27% (2010: 28%). The differences are explained below:

	<b>31 August 2011 £'000</b>	Restated 31 August 2010 £'000
Loss on ordinary activities before tax	<b>(2,079)</b>	<b>(1,725)</b>
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 27% (2010: 28%)	<b>(561)</b>	<b>(483)</b>
<i>Effects of:</i>		
Disallowable expenses	<b>124</b>	110
Capital allowances in excess of depreciation	<b>(110)</b>	(110)
Lease premium relief and other timing differences	-	-
Unutilised tax losses	<b>532</b>	465
Defined benefit pension scheme	<b>15</b>	18
<b>Current tax charge for the year (note 9a)</b>	<b>-</b>	<b>-</b>

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

A deferred tax asset of £3,708,000 (2010 restated: £3,582,000) in respect of available tax losses has not been recognised at 31 August 2011. This is due to there being no persuasive and reliable evidence available at this time of suitable profits to offset these losses.

No provision has been made for deferred tax on gains recognised on revaluing property to its market value. Such tax would become payable only if the property were sold without it being possible to claim rollover relief. The total amount unprovided is £1,790,000 (2010: £2,907,000). At present, it is not envisaged that any tax will become payable in the foreseeable future.

**UPP (Nottingham) Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 August 2011**

**10. Prior year adjustment**

The directors have become aware that the defined benefit scheme pension plan that is in place for 57 employees that have previously been accounted for as a defined contribution pension due to the inability to obtain valuations for UPP's share of the scheme's assets and liabilities on a reasonable or consistent basis. The directors have now been able to obtain this information and as such, going forward the scheme will be accounted for in accordance with FRS 17 *Retirement Benefits* as a defined benefit scheme.

The effects of the change in policy are summarised below:

	<b>2011</b> <b>£'000</b>	<b>2010</b> <b>£'000</b>
<b>Profit and loss account</b>		
Cost of sales	36	27
Interest payable and similar charges	20	37
	<hr/>	<hr/>
Decrease in profit before tax for the financial year	56	64
<b>Balance sheet</b>		
Pension liability	478	604
Decrease in net assets	478	604
	<hr/>	<hr/>

**11. Intangible fixed assets**

	<b>Positive</b> <b>Goodwill</b> <b>£'000</b> <b>Group</b>	<b>Positive</b> <b>Goodwill</b> <b>£'000</b> <b>Company</b>
<b>Cost</b>		
<b>At 1 September 2010 and at 31 August 2011</b>	<b>356</b>	491
	<hr/>	<hr/>
<b>Amortisation</b>		
At 1 September 2010	(24)	(24)
Charge during the year	(12)	(12)
<b>At 31 August 2011</b>	<b>(36)</b>	<b>(36)</b>
	<hr/>	<hr/>
<b>Net book value</b>		
<b>At 31 August 2011</b>	<b>320</b>	<b>455</b>
At 31 August 2010	332	467
	<hr/>	<hr/>

Goodwill arose on the acquisition of a subsidiary undertaking during the year ended 31 August 2008.



**UPP (Nottingham) Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 August 2011**

**12. Tangible fixed assets**

	<b>Assets for use in operating leases £'000</b>
<b>Cost or valuation</b>	
At 1 September 2010	113,340
Additions	38
Fair value	(1,998)
<b>At 31 August 2011</b>	<b>111,380</b>
<b>Depreciation</b>	
At 1 September 2010	(550)
Charge during the year	(592)
Fair value	1,142
<b>At 31 August 2011</b>	<b>-</b>
<b>Net book value</b>	
<b>At 31 August 2011</b>	<b>111,380</b>
At 31 August 2010	112,790

The fixed asset includes net finance costs up to the date of completion of £991,000 (2010: £991,000).

Assets used in operating leases were independently valued by JLL (formerly King Sturge), Chartered Surveyors, on an existing use basis at 31 August 2010 with subsequent additions at cost. The valuation was completed as at 31 August 2010. JLL have confirmed that the value as at that date was £112,790,000.

Based on a director's valuation performed at 31 August 2011 it has been identified that the fair value was lower than the written down value, as such a fair value decrement has been posted to the asset revaluation reserve. The director's confirm the fair value of the asset as at 31 August 2011 is £111,380,000.

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

	<b>Assets for use in operating leases 31 August 2011 £'000</b>	Assets for use in operating leases 31 August 2010 £'000
Cost	94,711	94,673
Depreciation	(1,417)	(926)
<b>Net book value</b>	<b>93,294</b>	<b>93,747</b>

**UPP (Nottingham) Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 August 2011**

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

	<b>31 August 2011 £'000 Group &amp; Company</b>	31 August 2010 £'000 Group & Company
Amounts owed by related parties	<b>70</b>	171
Amount owed from parent company	<b>66</b>	38
Prepayments and accrued income	<b>22</b>	23
	<b><u>158</u></b>	<u>232</u>

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

	<b>31 August 2011 £'000 Group</b>	<b>31 August 2011 £'000 Company</b>	31 August 2010 £'000 Group	31 August 2010 £'000 Company
Bank loans	<b>209</b>	<b>209</b>	18	18
Trade creditors	<b>9</b>	<b>9</b>	4	4
Amount owed to related parties	<b>535</b>	<b>352</b>	477	477
Amounts owed to group undertakings	<b>3,019</b>	<b>3,019</b>	2,480	2,480
Amounts owed to parent company	<b>1,827</b>	<b>1,827</b>	1,460	1,460
Amounts owed to subsidiary company	<b>-</b>	<b>135</b>	-	135
Accruals & deferred income	<b>2,429</b>	<b>2,649</b>	1,932	1,932
	<b><u>8,028</u></b>	<b><u>8,163</u></b>	<u>6,371</u>	<u>6,506</u>

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

	<b>Year ended 31 August 2011 £'000 Group &amp; Company</b>	Year ended 31 August 2010 £'000 Group & Company
Senior debt	<b>91,577</b>	91,595
Secured subordinated loan notes	<b>14,165</b>	14,165
	<b><u>105,742</u></b>	<u>105,760</u>
Less: included in creditors amounts falling due within one year	<b>(209)</b>	(18)
	<b><u>105,533</u></b>	<u>105,742</u>

**Maturity of debt**

Repayable within one year or on demand	<b>209</b>	18
Repayable in more than one year but less than two years	<b>91,368</b>	209
Repayable in more than two years but less than five years	<b>1,214</b>	92,177
Repayable in more than five years	<b>12,951</b>	13,356
	<b><u>105,742</u></b>	<u>105,760</u>
Less: included in creditors amounts falling due within one year	<b>(209)</b>	(18)
	<b><u>105,533</u></b>	<u>105,742</u>

**UPP (Nottingham) Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 August 2011**



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

Loan amounts drawn down to date on the senior facility of £91,966,000 (2010: £91,966,000) are part of a total agreed facility of £91,966,000. The facility is fully utilised.

**Senior debt**

The senior debt is repayable on 31 August 2013 with principal repayments having commenced in August 2008. The interest rate is fixed via a swap at a rate of 5.46% plus a variable margin.

The senior loan debt is secured by way of a first fixed charge over the tangible fixed asset. Furthermore, the terms of the finance agreement provide that the lender will seek repayment of the finance, as to both principal and interest, only to the extent that sufficient funds are generated by the specific asset financed and it will not seek recourse to the group in any other form. The group is not obliged to support any losses, nor does it intend to do so.

**Secured subordinated loan notes**

The subordinated loan notes are being provided by UPP Group Limited and Nottingham Trent University. The loan notes are subject to the same security as the senior debt facilities but are subordinated to the right of payment of senior debt providers.

The loan notes will be repaid by 2048 and are subject to an effective interest rate of 11.80%.

**16. Provisions for liabilities**

	<b>31 August 2011 £'000 Group &amp; Company</b>	31 August 2010 £'000 Group & Company
<b>Deferred tax liability/ (asset)</b>		
At 1 September	-	-
On acquisition	-	-
Charged to profit & loss account	-	-
<b>At 31 August</b>	<b>-</b>	<b>-</b>
<b>Deferred tax</b>		
The deferred tax liability / (asset) consists of:		
Accelerated capital allowances	<b>2,639</b>	2,740
Other timing differences	<b>(2,639)</b>	(2,740)
<b>Total deferred tax liability / (asset)</b>	<b>-</b>	<b>-</b>

**UPP (Nottingham) Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 August 2011**

**17. Called up share capital**

	<b>31 August 2011 £'000</b>	31 August 2010 £'000
<b>Authorised</b>		
65,671 A Ordinary shares of £1 each	<b>66</b>	66
16,418 B Ordinary shares of £1 each	<b>16</b>	16
	<b>82</b>	82
<b>Allotted, called up and fully paid</b>		
65,671 A Ordinary shares of £1 each	<b>66</b>	66
16,418 B Ordinary shares of £1 each	<b>16</b>	16
	<b>82</b>	82

The voting rights on the 'A' Ordinary shares in issue are such as to confer 85% of the total voting rights, with the 'B' Ordinary shares carrying 15% of the total voting rights. Other than this the 'A' and 'B' shares rank pari passu.

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

**(a) Group**

	Share capital	Revaluation reserve	Profit and loss account	Total shareholders' funds
	£'000	£'000	£'000	£'000
At 1 September 2010 as previously stated	82	19,043	(10,210)	8,915
Prior year adjustment	-	-	(604)	(604)
At 1 September 2011 as restated	82	19,043	(10,814)	8,311
Transfer to profit and loss	-	(99)	99	-
Loss for the year	-	-	(2,059)	(2,059)
Revaluation	-	(856)	-	(856)
Actuarial gain on pension scheme	-	-	246	246
Deferred tax on actuarial gain on pension scheme	-	-	(83)	(83)
<b>At 31 August 2011</b>	<b>82</b>	<b>18,088</b>	<b>(12,611)</b>	<b>5,559</b>

**UPP (Nottingham) Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 August 2011**



**18. Reconciliation of shareholders' funds and movement on reserves (continued)**

**(b) Company**

	Share capital	Revaluation reserve	Profit and loss account	Total shareholders' funds
	£'000	£'000	£'000	£'000
At 1 September 2010 as previously stated	82	19,043	(10,210)	8,915
Prior year adjustment	-	-	(604)	(604)
At 1 September 2011 as restated	82	19,043	(10,814)	8,311
Transfer to profit and loss	-	(99)	99	-
Loss for the year	-	-	(2,059)	(2,059)
Revaluation	-	(856)	-	(856)
Actuarial gain on pension scheme	-	-	246	246
Deferred tax on actuarial gain on pension scheme	-	-	(83)	(83)
<b>At 31 August 2011</b>	<b>82</b>	<b>18,088</b>	<b>(12,611)</b>	<b>5,559</b>

**19. Retirement benefit schemes**

*Defined contribution scheme*

The Group operates a defined contribution retirement benefit scheme for all qualifying employees. The total cost charged to the profit and loss account of £14,000 (2010: £12,000) represents a pre-determined amount of the employee's salary paid into the scheme. As at 31 August 2011 £Nil (2010: £Nil) contributions remained outstanding.

*Defined benefit scheme*

Retirement benefits for 57 Group employees are provided by a defined benefit scheme which is funded by contributions by the employee and the Group. Payments are made to Nottinghamshire County Council Pension Fund ("NCCPF"). This is an independently administered scheme and contracted out of the State Earnings Related Pension Scheme.

The NCCPF is valued every three years by a professionally qualified independent actuary using the projected unit method, the rates of contribution payable being determined by the trustees on the advice of the actuary and during this account period were equal to 13.7%. A valuation by the Fund's actuary was carried out at 31 March 2010.

The material assumptions used by the Actuary at 31 August 2011 were:

	<b>31 August 2011</b>	31 August 2010
Rate of inflation	<b>3.4%</b>	3.0%
Rate of increase in salaries	<b>4.9%</b>	4.5%
Rate of increase in pensions	<b>2.6%</b>	2.5%
Discount rate for liabilities	<b>5.4%</b>	4.8%

**UPP (Nottingham) Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 August 2011**

**19. Retirement benefit schemes (continued)**

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement at age of 65 are:

	<b>31 August 2011 Years</b>
<i>Retiring today</i>	
Males	<b>18.5</b>
Females	<b>22.6</b>
<i>Retiring in 20 years</i>	
Males	<b>20.5</b>
Females	<b>24.5</b>

Amounts recognised in the operating profit in respect of the defined benefit scheme are as follows:

	<b>31 August 2011 £'000</b>	31 August 2010 £'000
Current service cost	<b>97</b>	92
Past service cost	-	-
	<b><u>97</u></b>	<u>92</u>

Amounts recognised in the interest payable and other charges in respect of the defined benefit scheme are as follows:

	<b>31 August 2011 £'000</b>	31 August 2010 £'000
Interest cost	<b>127</b>	136
Expected return on scheme assets	<b>(107)</b>	(99)
	<b><u>20</u></b>	<u>37</u>

Amounts recognised in the statement of total recognised gains and losses are as follows:

	<b>31 August 2011 £'000</b>	31 August 2010 £'000
Actual return less expected return on pension scheme assets	<b>26</b>	82
Changes in assumptions underlying the present value of scheme liabilities	<b>220</b>	83
	<b><u>246</u></b>	<u>165</u>

The actual return on scheme assets was £134,000 (2010: £182,000).

**UPP (Nottingham) Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 August 2011**

**19. Retirement benefit schemes (continued)**

The amount included in the balance sheet arising from the Group's obligations in respect of its defined benefit scheme is as follows:

	<b>31 August 2011 £'000</b>	31 August 2010 £'000
Present value of defined benefit obligations	<b>(2,584)</b>	(2,613)
Fair value of scheme assets	<b>1,947</b>	1,786
	<b>(637)</b>	(827)
Past service cost not yet recognised in balance sheet	-	-
Deficit	<b>(637)</b>	(827)
Related deferred tax asset	<b>159</b>	223
Net liability recognised	<b>(478)</b>	(604)

Movements in the present value of defined benefit obligations were are follows:

	<b>31 August 2011 £'000</b>	31 August 2010 £'000
At 1 September	<b>827</b>	928
Current service cost	<b>97</b>	92
Contributions	<b>(61)</b>	(65)
Interest cost	<b>20</b>	37
Actuarial loss / (gain)	<b>(246)</b>	(165)
At 31 August	<b>637</b>	827

Movements in the fair value of the scheme assets were as follows:

	<b>31 August 2011 £'000</b>	31 August 2010 £'000
At 1 September	<b>1,786</b>	1,541
Expected return on scheme assets	<b>107</b>	99
Actuarial gains and losses	<b>26</b>	82
Employer contributions	<b>61</b>	65
Employee contributions	<b>27</b>	29
Benefits paid	<b>(60)</b>	(30)
At 31 August	<b>1,947</b>	1,786

# UPP (Nottingham) Limited

## Notes to the financial statements (continued)

### for the year ended 31 August 2011

#### 19. Retirement benefit schemes (continued)

The analysis of the scheme assets and the expected rate of return at the balance sheet date was as follows:

	2011		2010	
	Long term rate of return expected at 31 August %	Value at 31 August £'000	Long term rate of return expected at 31 August %	Value at 31 August £'000
Equities	70	1,363	67	1,197
Government bonds	8	156	7	125
Other bonds	4	78	6	107
Property	12	234	14	250
Cash	5	97	4	71
Other	1	19	2	36
Total market value of assets	100	1,947	100	1,786

The estimated amounts of contributions expected to be paid to the scheme during the 2012 financial year is £63,000.

The most recent triennial valuation of the group's pension scheme for funding purposes has been performed in March 2010. The group will monitor funding levels annually and the funding schedule will be reviewed between the Group and the directors every three years, based on actuarial valuations. The next triennial valuation is due to be completed at 31 August 2013. The Group considers that the contribution rates agreed with the directors are sufficient to eliminate the current deficit over the agreed period.

#### 20. Parent undertaking and controlling party

The company is owned by UPP Group Limited and Nottingham Trent University.

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

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

The smallest group of which the company is a member and for which group accounts are prepared is UPP (Nottingham) Limited.

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

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



# UPP (Nottingham) Limited

## Notes to the financial statements (continued)

### for the year ended 31 August 2011



#### 21. Related party transactions

UPP Group Limited, UPP Warehouse Limited and UPP Residential Services Limited are subsidiaries of Alma Mater. Therefore the directors consider that UPP Group Limited, UPP Warehouse Limited, UPP Residential Services Limited and Nottingham Trent University are related companies.

##### **Group and Company**

The group incurred costs of £1,087,000 (2010: £1,002,000) in respect to services provided by the Nottingham Trent University. An amount of £316,000 (2010: £269,000) remains outstanding at the balance sheet date and is included within creditors falling due within one year. The group also received income of £11,697,000 (2010: £11,297,000) in respect to services provided to the university. An amount of £70,000 (2010: £171,000) remains outstanding at the balance sheet date and is included within debtors falling due within one year.

The group incurred £4,322,000 (2010: £3,431,000) in respect of services provided by UPP Residential Services Limited. An amount of £1,089,000 (2010: £549,000) remains outstanding at the balance sheet date and is included within creditors falling due within one year.

The group incurred costs of £1,141,000 (2010: £787,000) in respect of services provided by UPP Group Limited. An amount of £1,827,000 (2010: £1,422,000) remained outstanding at the balance sheet date and was included within creditors falling due within one year. An amount of £66,000 (2010: £37,000) remains outstanding at the balance sheet date and is included within debtors falling due within one year.

An amount of £1,931,000 (2010: £1,931,000) remained outstanding at the balance sheet date in respect of services provided by UPP Warehouse Limited and is included within debtors falling due within one year.

**UPP (Oxford Brookes) Limited  
Report and financial statements**

**For the year ended 31 August 2012**

# UPP (Oxford Brookes) Limited Report and financial statements for the year ended 31 August 2012

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# UPP (Oxford Brookes) Limited Directors and advisors



## **Directors**

G Behr  
J Benkel

## **Secretary**

J Benkel

## **Auditor**

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

## **Registered office**

40 Gracechurch Street  
London  
EC3V 0BT

# UPP (Oxford Brookes) Limited

## Directors' report

### for the year ended 31 August 2012



The directors present their report and financial statements for the year ended 31 August 2012.

#### Results, principal activity and review of the business

The company's principal activity is the development, funding, and construction of student accommodation under the University Partnerships Programme.

Both the level of business, achieving full occupancy and the year end financial position were in accordance with the directors' expectations. The directors anticipate that the future level of activity will be in accordance with their expectations and consider that the project will yield returns in line with current forecasts.

The loss for the year attributable to shareholders and reported in the financial statements is £566,000 (2011: £66,000).

#### Going concern

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

As disclosed in note 12, the senior debt facility of £33.5m is due for repayment on 10 November 2013. The directors are currently in the process of negotiating the refinancing of this debt and exploring other means of finance to obtain the best possible terms of finance for the company.

#### Key performance indicators

The following are considered by the directors to be indicators of performance of the company that are not necessarily evident from the financial statements.

	2011/12	2010/11
Applications : Acceptance ratio	7.17:1	5.50:1
Core demand pool (no. of students)	11,234	10,913

The indicators above are directly related to performance of Oxford Brookes University and any changes in these statistics may potentially affect the performance of UPP (Oxford Brookes) Limited. The company therefore monitors these indicators on an annual basis for any significant changes. The directors are satisfied that the movements noted above are within tolerable limits.

#### Post balance sheet events

On 12 September 2012, UPP Group Holdings Limited, the largest group of which the company is a member, had a 60% stake acquired by PGGM Vermogensbeheer BV ("PGGM"). PGGM is incorporated in the Netherlands. The largest group of which the company is a member will remain UPP Group Holdings Limited.

#### Financial risk management objectives and policies

The company uses various financial instruments including loans, cash 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.

# UPP (Oxford Brookes) Limited

## Directors' report (continued)

### for the year ended 31 August 2012

#### Interest rate risk

The company finances its operations through a mixture of retained profits, related party borrowings and bank borrowings. The company exposure to interest rate fluctuations on its bank borrowings is managed by the use of interest swaps which fix variable interest rates for a period of time.

#### Liquidity risk

The 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.

The maturity of borrowings is set out in note 12 to the financial statements.

#### Demand risk

The company is subjected to risks arising from occupancy voids and no nominations by the university partners which can lead to uncertain revenues. This risk is managed by cementing relationships with the university, improved marketing of accommodation and improved third party revenues to compensate for any shortfalls in rental income.

#### Portfolio risk

The assets of the company are in the student market and reduced student numbers could impact upon financial performance. The company seeks to mitigate this risk by building excellent long term relationships with its university partner and ensuring up to date in depth market analysis is completed each year to enable the company to review its strategic position.

#### Dividend

The directors do not propose the payment of a dividend (2011: £Nil).

#### Directors and their interests

The directors holding office during the year ended 31 August 2012 and subsequently are:

G Behr	
J Benkel	
A Clapp	(resigned 13 September 2012)
R McClatchey	(resigned 12 September 2012)

At 31 August 2012, none of the directors had any beneficial interests in the shares of the company or in any of the group companies.

#### Creditor payment terms

When entering into commitments for the purchase of services and goods, the company gives due consideration to quality, price and the terms of payment. Suppliers are made aware of these terms. The company abides by these terms whenever it is satisfied that suppliers have provided the services or goods in accordance with such agreed terms and conditions. In the event of disputes, efforts are made to resolve these quickly. The average creditor days in the year were 29 days (2011: 26 days).

# UPP (Oxford Brookes) Limited

## Directors' report (continued)

### for the year ended 31 August 2012

#### Directors' Responsibilities Statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws. 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 and profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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.

In so far as the directors are aware:

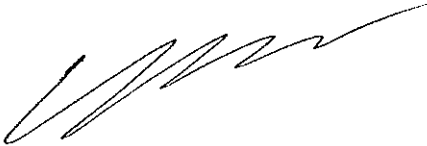
- there is no relevant audit information of which the company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

#### Auditor

Having passed elective resolutions of the shareholders the company is exempt from the obligation to annually re-appoint auditors and to hold annual general meetings. Accordingly the board recommend that Grant Thornton UK LLP continue in office as auditor to the company.

On behalf of the Board



**G Behr**  
Director

26 October 2012

## **Report of the independent auditor to the members of UPP (Oxford Brookes) Limited**

We have audited the financial statements of UPP (Oxford Brookes) Limited for the year ended 31 August 2012 which comprise the profit and loss account, statement of total recognised gains and losses, note of historical cost profits and losses, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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 (APB'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 APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

### **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 2012 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

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



## Report of the independent auditor to the members of UPP (Oxford Brookes) 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.



**Giles Mullins**  
**Senior Statutory Auditor**  
**For and on behalf of Grant Thornton UK LLP**  
**Statutory Auditors, Chartered Accountants**

**Central Milton Keynes**

24 October 2012

# UPP (Oxford Brookes) Limited

## Profit and loss account

### for year ended 31 August 2012

		Year ended 31 August 2012 £'000	Year ended 31 August 2011 £'000
	Notes		
Turnover	2	3,860	3,700
Cost of sales		<u>(889)</u>	<u>(834)</u>
<b>Gross profit</b>		<b>2,971</b>	2,866
Operating expenses		<u>(640)</u>	<u>(422)</u>
<b>Operating profit</b>	6	<b>2,331</b>	2,444
Interest payable & similar charges	7	<u>(2,511)</u>	<u>(2,510)</u>
<b>Loss on ordinary activities before taxation</b>		<b>(180)</b>	(66)
Tax charge on loss on ordinary activities	8	<b>(386)</b>	-
<b>Loss for the financial year</b>	15	<b><u>(566)</u></b>	<b><u>(66)</u></b>

The above results all relate to continuing operations.

**UPP (Oxford Brookes) Limited**  
**Statement of total recognised gains**  
**and losses**  
**for year ended 31 August 2012**

		<b>Year ended</b> <b>31 August</b> <b>2012</b> <b>£'000</b>	Year ended 31 August 2011 £'000
	Notes		
Loss for the financial year	15	<b>(566)</b>	(66)
Revaluation of principal asset	15	<b>452</b>	-
<b>Total recognised gains and losses relating to the year</b>		<b>(114)</b>	<b>(66)</b>

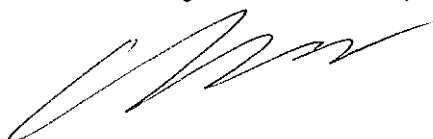
**Note of historical cost profits and losses**

	<b>Year ended</b> <b>31 August</b> <b>2012</b> <b>£'000</b>	Year ended 31 August 2011 £'000
Reported loss on ordinary activities before taxation	<b>(180)</b>	(66)
Difference between historical cost depreciation charge and the actual depreciation charge of the year calculated at the revalued amount	<b>29</b>	27
<b>Historical cost loss on ordinary activities before taxation</b>	<b>(151)</b>	<b>(39)</b>

**UPP (Oxford Brookes) Limited**  
**Balance sheet**  
**as at 31 August 2012**

	Notes	31 August 2012 £'000	31 August 2011 £'000
<b>Fixed assets</b>			
Tangible assets	9	38,800	38,505
<b>Current assets</b>			
Debtors: amounts falling due within one year	10	17	14
Cash at bank and in hand		2,555	2,555
		<u>2,572</u>	<u>2,569</u>
Creditors: amounts falling due within one year	11	(1,613)	(1,374)
<b>Net current assets</b>		<u>959</u>	<u>1,195</u>
<b>Total assets less current liabilities</b>		<u>39,759</u>	<u>39,700</u>
Creditors: amounts falling due after more than one year	12	(36,819)	(37,032)
<b>Provisions for liabilities and charges</b>	13	(386)	
		<u>2,554</u>	<u>2,668</u>
<b>Share capital and reserves</b>			
Called up share capital	14	230	230
Revaluation reserve	15	7,528	7,105
Profit and loss account	15	(5,204)	(4,667)
		<u>2,554</u>	<u>2,668</u>

The financial statements were approved by the board on 26 October 2012 and were signed on its behalf by:



**G Behr**  
 Director

**Registered No: 04116192**

# UPP (Oxford Brookes) Limited

## Notes to the financial statements

### for the year ended 31 August 2012

#### 1. Principal accounting policies

##### (a) Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of fixed assets, and in accordance with applicable accounting standards and the Companies Act 2006. The accounting policies remain unchanged from the previous year.

##### (b) Going concern

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

As disclosed in note 12, the senior debt facility of £33.5m is due for repayment on 10 November 2013. The directors are currently in the process of negotiating the refinancing of this debt and exploring other means of finance to obtain the best possible terms of finance for the company.

##### (c) Cash flow statement

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

##### (d) Presentation of principal asset

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

Each year the company reviews the status of these interests, in accordance with the provisions of FRS 5 (Application Note F), assessing the balance of the significant risks and rewards of ownership of the asset. The appropriate balance sheet treatment of these interests is to treat the asset as a finance receivable asset where the company does not have the majority of significant risks and rewards. Where it does, the asset is treated as a tangible fixed asset.

##### (e) Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is calculated so as to write off the cost of the tangible fixed assets, less any residual value, over the expected useful economic lives of the assets concerned once construction is complete. The principal rates of depreciation used for this purpose are:

Assets for use in operating leases - annuity method over the term of the lease

The economic benefit of the principal assets for use in operating leases is the return on assets invested into the financing arrangement with the relevant university. The annuity method takes into account the cost of capital notionally invested in the principal asset. Notional interest calculated using the relevant company's actual weighted cost of capital and depreciation combined will give an approximately constant charge to revenue.

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

# UPP (Oxford Brookes) Limited

## Notes to the financial statements (continued)

### for the year ended 31 August 2012

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

##### (e) Tangible fixed assets (continued)

Where depreciation charges are increased following a revaluation, an amount equal to the increase is transferred annually from the revaluation reserve to the profit and loss account as a movement on reserves.

##### (f) Impairment reviews

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

##### (g) Income recognition

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

##### (h) Debt issue costs

The debt issue costs incurred have been offset against the related debt and will be charged to finance costs at a constant rate on the carrying value of the debt. If it becomes clear that the related debt will be redeemed early then the charge to finance costs will be accelerated. Where there is an early repayment clause within the debt instrument, costs incurred are amortised to the profit and loss account to the earliest opportunity the debt could be repaid.

##### (i) Interest rate swaps

Interest rate swaps are used to hedge the company's exposure to movements on interest rates. The fair value of this financial instrument, which may be an asset or a liability to the company, depending upon the market rate, is not recognised in the financial statements as the company is exempt from adopting FRS 26 and has not voluntarily chosen to adopt.

The interest payable on the debt and associated interest rate swaps is accrued for within the financial statements.

Should the company terminate the interest rate swaps earlier than they mature the company may become liable to pay penalties.

##### (j) Taxation

###### (i) Current tax

The charge for current taxation for the year is based on the result for the year, adjusted for disallowable items.

###### (ii) Deferred tax

Full provision has been made for deferred taxation in respect of timing differences that have originated, but not reversed at the balance sheet date where an event has occurred that results in an obligation to pay more or less tax in the future by the balance sheet date except that:

- Provision is made for gains on disposal of assets that have been rolled over into replacement assets only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned.
- Provision is not made for the remittance of a subsidiary, associate or joint venture's earnings that would cause tax to be payable where no commitment has been made to the remittance of the earnings.
- Deferred tax assets are recognised to the extent that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

# UPP (Oxford Brookes) Limited

## Notes to the financial statements (continued)

### for the year ended 31 August 2012

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

##### (j) Taxation (continued)

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the years in which the timing differences reverse, based on the tax rates enacted at the balance sheet date. Group relief is only accounted for to the extent that a formal policy is in place at the year / period end. Where no policy is in place, current and deferred tax is measured before benefits which may arise from a formal group relief policy.

##### (k) Related party transactions

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

##### (l) Defined contribution pension scheme

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

#### 2. Turnover

Turnover represents income, on the basis of accounting policy 1(g), excluding VAT, attributed to the provision of student accommodation.

#### 3. Directors' remuneration

The directors were paid £10,000 (2011: £10,000) in respect of services performed in connection of the management of the affairs of this company.

#### 4. Auditors' remuneration

	Year ended 31 August 2012 £'000	Year ended 31 August 2011 £'000
Fees payable to the Company's auditor for the audit of the company's annual accounts	14	14
Fees payable to the Company's auditor and its associates for other services:		
Tax services	4	4
	<u>18</u>	<u>18</u>

**UPP (Oxford Brookes) Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 August 2012**



**5. Employee information**

The average number of persons employed by the company during the year was as follows:

	<b>2012</b>	2011
	<b>Number</b>	Number
Site managers (full time)	<b>1</b>	1
Administration, maintenance and cleaning (full and part time)	<b>15</b>	15
	<b>16</b>	16

The employment costs of all employees included above were:

	<b>Year ended</b>	Year ended
	<b>31 August</b>	31 August
	<b>2012</b>	2011
	<b>£'000</b>	£'000
Wages and salaries	<b>301</b>	288
Social security costs	<b>25</b>	25
Other pension costs	<b>4</b>	6
	<b>330</b>	319

**6. Operating profit**

The operating profit is stated after charging:

	<b>Year ended</b>	Year ended
	<b>31 August</b>	31 August
	<b>2012</b>	2011
	<b>£'000</b>	£'000
Depreciation	<b>157</b>	145

**7. Interest payable and similar charges**

	<b>Year ended</b>	Year ended
	<b>31 August</b>	31 August
	<b>2012</b>	2011
	<b>£'000</b>	£'000
Bank loan interest	<b>2,031</b>	2,030
Subordinated loan interest	<b>480</b>	480
	<b>2,511</b>	2,510



**UPP (Oxford Brookes) Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 August 2012**

**8. Tax on loss on ordinary activities**

	Year ended 31 August 2012 £'000	Year ended 31 August 2011 £'000
<b>a) Analysis of charge for the year</b>		
Current tax on income for the year (note 8b)	-	-
<i>Deferred tax:</i>		
Current year	(16)	-
Rate difference	(34)	-
Adjustments to tax charge in respect of previous years	436	-
Total deferred tax (note 13)	386	-
<b>Tax charge on loss on ordinary activities</b>	<b>386</b>	<b>-</b>

**b) Factors affecting current tax charge for the year**

The tax assessed for the year is higher (2011: higher) than the standard rate of corporation tax in the UK 25% (2011: 27%). The differences are explained below:

	Year ended 31 August 2012 £'000	Year ended 31 August 2011 £'000
Loss on ordinary activities before tax	<u>(180)</u>	<u>(66)</u>
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 25% (2011: 27%)	(45)	(18)
<i>Effects of:</i>		
Disallowable expenses	28	28
Capital allowances in excess of depreciation	12	11
Unutilised tax losses	5	(21)
<b>Current tax charge for the year (note 8a)</b>	<u>-</u>	<u>-</u>

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

A deferred tax asset of £nil (2011: £143,000) in respect of available tax losses has not been recognised at 31 August 2012. This is due to there being no persuasive and reliable evidence available at this time of suitable profits to offset these losses.

No provision has been made for deferred tax on gains recognised on revaluing property to its market value. Such tax would become payable only if the property were sold without it being possible to claim rollover relief. The total amount unprovided is £871,000 (2011: £1,320,000). At present, it is not envisaged that any tax will become payable in the foreseeable future.

**UPP (Oxford Brookes) Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 August 2012**

**9. Tangible fixed assets**

	<b>Assets for use in operating leases £'000</b>
<b>Cost or valuation</b>	
At 1 September 2011	38,783
Revaluation	16
<b>At 31 August 2012</b>	<b>38,800</b>
<b>Depreciation</b>	
At 1 September 2011	(278)
Charge during the year	(157)
Revaluation	436
<b>At 31 August 2012</b>	<b>-</b>
<b>Net book value</b>	
<b>At 31 August 2012</b>	<b>38,800</b>
At 31 August 2011	38,505

The fixed asset includes finance costs up to the date of completion of £1,455,000.

Assets used in operating leases were independently valued by Jones Lange LaSalle ("JLL"), Chartered Surveyors, on an existing use basis at 31 August 2012. JLL have confirmed that the value as at that date was £38,800,000.

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

	<b>Assets for use in operating leases 31 August 2012 £'000</b>	Assets for use in operating leases 31 August 2011 £'000
Cost	31,840	31,840
Depreciation	(568)	(440)
Net book value	<b>31,272</b>	<b>31,400</b>

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

	<b>31 August 2012 £'000</b>	31 August 2011 £'000
Amounts owed by group undertakings	6	6
Prepayments and accrued income	11	8
	<b>17</b>	<b>14</b>

**UPP (Oxford Brookes) Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 August 2012**

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

	<b>31 August 2012 £'000</b>	31 August 2011 £'000
Bank loans	213	59
Trade creditors	1	6
Amounts owed to group undertakings	112	98
Amounts owed to parent company	354	354
Accruals and deferred income	933	857
	<u>1,613</u>	<u>1,374</u>

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

	<b>Year ended 31 August 2012 £'000</b>	Year ended 31 August 2011 £'000
Senior debt	33,496	33,555
Secured subordinated loan notes	<u>3,536</u>	<u>3,536</u>
	37,032	37,091
Less: included in creditors amounts falling due within one year	(213)	(59)
	<u>36,819</u>	<u>37,032</u>

**Maturity of debt**

Repayable within one year or on demand	213	59
Repayable in more than one year but less than two years	33,283	214
Repayable in more than two years but less than five years	-	33,282
Repayable in more than five years	<u>3,536</u>	<u>3,536</u>
	37,032	37,091
Less: included in creditors amounts falling due within one year	(213)	(59)
	<u>36,819</u>	<u>37,032</u>

Loan amounts drawn down to date on the senior facility of £33,900,000 (2011: £33,900,000) are part of a total agreed facility of £33,900,000. The facility is fully utilised.

**Senior debt**

The Senior facility is repayable by 10 November 2013, with principal repayments having commenced in November 2008. The interest rate was fixed via a swap at 4.69% per annum plus a variable margin.

The senior debt is secured by way of a first fixed charge over the company's fixed asset. Furthermore, the terms of the finance agreement provide that the lender will seek repayment of the finance, as to both principal and interest, only to the extent that sufficient funds are generated by the specific asset financed and it will not seek recourse to the company in any other form. The company is not obliged to support any losses, nor does it intend to do so.

**UPP (Oxford Brookes) Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 August 2012**

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

**Secured subordinated loan notes**

The subordinated loan notes have been provided by UPP Group Limited. The loan notes are subject to the same security as the senior debt facilities but are subordinated to the right of payment of senior debt providers.

The loan notes were fully subscribed at 11 November 2008 and will be repaid by 31 August 2050. They are subject to an effective interest rate of 13.58%.

**13. Provisions for liabilities**

	<b>31 August 2012 £'000</b>	31 August 2011 £'000
<b>Deferred tax liability</b>		
At 1 September	-	-
Charged to profit & loss account	386	-
<b>At 31 August</b>	<b>386</b>	-

	<b>31 August 2012 £'000</b>	31 August 2011 £'000
<b>Deferred Tax</b>		
The deferred tax liability consists of:		
Accelerated capital allowances	832	916
Other timing differences	(446)	(916)
<b>Total deferred tax liability</b>	<b>386</b>	-

**14. Called up share capital**

	<b>31 August 2012 £'000</b>	31 August 2011 £'000
<b>Authorised</b>		
230,000 Ordinary shares of £1 each	230	230
<b>Allotted, called up and fully paid</b>		
230,000 Ordinary shares of £1 each	230	230

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

	Share capital £'000	Revaluation reserve £'000	Profit & loss account £'000	Total shareholders' funds £'000
At 1 September 2011	230	7,105	(4,667)	2,668
Transfer to profit and loss	-	(29)	29	-
Loss for the year	-	-	(566)	(566)
Revaluation	-	452	-	452
<b>At 31 August 2012</b>	<b>230</b>	<b>7,528</b>	<b>(5,204)</b>	<b>2,554</b>

# UPP (Oxford Brookes) Limited

## Notes to the financial statements (continued)

### for the year ended 31 August 2012

#### 16. Parent undertaking and controlling party

The company is owned by UPP Group Limited.

UPP Group Limited is a wholly owned subsidiary of UPP Group Holdings Limited. UPP Group Holdings Limited is controlled by a 60% stake held by PGGM Vermogensbeheer BV ("PGGM"). The remaining 40% is held by The Alma Mater Fund LP (acting through its general partner Barclays Alma Mater General Partner Limited), Barclays European Infrastructure Fund (UPP) LP (acting through its general partner Barclays European Infrastructure Limited) and Barclays European Infrastructure Fund II LP (acting through its Barclays European Infrastructure II Limited). The Alma Mater Fund LP and Barclays Alma Mater General Partner Limited are collectively referred to as 'Alma Mater'.

It is the directors' opinion that the ultimate controlling party changed from Alma Mater to PGGM on 12 September 2012.

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

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

#### 17. Post balance sheet events

On 12 September 2012, UPP Group Holdings Limited, the largest group of which the company is a member, had a 60% stake acquired by PGGM. PGGM is incorporated in the Netherlands. The largest group of which the company is a member will remain UPP Group Holdings Limited.

**UPP (Oxford Brookes) Limited  
Report and financial statements**

**For the year ended 31 August 2011**

# UPP (Oxford Brookes) Limited Report and financial statements for the year ended 31 August 2011



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# UPP (Oxford Brookes) Limited Directors and advisors



## **Directors**

G Behr  
J Benkel  
A Clapp  
R McClatchey

## **Secretary**

J Benkel

## **Auditor**

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

## **Registered office**

40 Gracechurch Street  
London  
EC3V 0BT



# UPP (Oxford Brookes) Limited

## Directors' report

### for the year ended 31 August 2011



The directors present their report and financial statements for the year ended 31 August 2011.

#### Results, principal activity and review of the business

The company's principal activity is the development, funding, and construction of student accommodation under the University Partnerships Programme.

Both the level of business, achieving full occupancy and the year end financial position were in accordance with the directors' expectations. The directors anticipate that the future level of activity will be in accordance with their expectations and consider that the project will yield returns in line with current forecasts.

The loss for the year attributable to shareholders and reported in the financial statements is £67,000 (2010: £4,445,000).

#### Going concern

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

#### Key performance indicators

The following are considered by the directors to be indicators of performance of the company that are not necessarily evident from the financial statements.

	2010/11	2009/10
Applications : Acceptance ratio	5.50:1	5.17:1
Core demand pool (no. of students)	10,913	10,542

The indicators above are directly related to performance of Oxford Brookes University and any changes in these statistics may potentially affect the performance of UPP (Oxford Brookes) Limited. The company therefore monitors these indicators on an annual basis for any significant changes. The directors are satisfied that the movements noted above are within tolerable limits.

#### Financial risk management objectives and policies

The company uses various financial instruments including loans, cash 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, related party borrowings and bank borrowings. The company exposure to interest rate fluctuations on its bank borrowings is managed by the use of interest swaps which fix variable interest rates for a period of time.

# UPP (Oxford Brookes) Limited

## Directors' report (continued)

### for the year ended 31 August 2011

#### 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.

The maturity of borrowings is set out in note 12 to the financial statements.

#### Demand risk

The company is subjected to risks arising from occupancy voids and no nominations by the university partners which can lead to uncertain revenues. This risk is managed by cementing relationships with the university, improved marketing of accommodation and improved third party revenues to compensate for any shortfalls in rental income.

#### Portfolio risk

The assets of the company are in the student market and reduced student numbers could impact upon financial performance. The company seeks to mitigate this risk by building excellent long term relationships with its university partner and ensuring up to date in depth market analysis is completed each year to enable the company to review its strategic position.

#### Dividend

The directors do not propose the payment of a dividend (2010: £Nil).

#### Directors and their interests

The directors holding office during the year ended 31 August 2011 and subsequently are:

M Allen	(resigned 18 February 2011)
G Behr	
J Benkel	(appointed 18 February 2011)
A Clapp	(appointed 18 February 2011)
R McClatchey	(appointed 17 June 2011)

At 31 August 2011, none of the directors had any beneficial interests in the shares of the company or in any of the group companies.

#### Creditor payment terms

When entering into commitments for the purchase of services and goods, the company gives due consideration to quality, price and the terms of payment. Suppliers are made aware of these terms. The company abides by these terms whenever it is satisfied that suppliers have provided the services or goods in accordance with such agreed terms and conditions. In the event of disputes, efforts are made to resolve these quickly. The average creditor days in the year were 26 days (2010: 22 days).

#### Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). 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 and profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

# UPP (Oxford Brookes) Limited Directors' report (continued) for the year ended 31 August 2011

## Statement of directors' responsibilities (continued)

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.

In so far as the directors are aware:

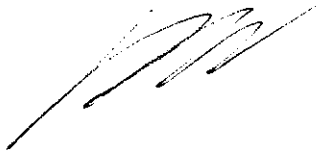
- there is no relevant audit information of which the company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Auditor

Having passed elective resolutions of the shareholders the company is exempt from the obligation to annually re-appoint auditors and to hold annual general meetings. Accordingly the board recommend that Grant Thornton UK LLP continue in office as auditor to the company.

**On behalf of the Board**



**G Behr  
Director**

19 October 2011

## **Report of the independent auditor to the members of UPP (Oxford Brookes) Limited**

We have audited the financial statements of UPP (Oxford Brookes) Limited for the year ended 31 August 2011 which comprise the profit and loss account, note of historical cost profits and losses, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Statement of Directors' Responsibilities set out on pages 3 and 4, 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 (APB'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 APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

### **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 2011 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

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



## **Report of the independent auditor to the members of UPP (Oxford Brookes) 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.

*Grant Thornton UK LLP*

**Giles Mullins  
Senior Statutory Auditor  
For and on behalf of Grant Thornton UK LLP  
Statutory Auditors, Chartered Accountants**

**Central Milton Keynes**

**21 October 2011**

**UPP (Oxford Brookes) Limited**  
**Profit and loss account**  
**for year ended 31 August 2011**

		Year ended 31 August 2011 £'000	Year ended 31 August 2010 £'000
	Notes		
Turnover	2	<b>3,700</b>	3,563
Cost of sales		<b>(834)</b>	(858)
<b>Gross profit</b>		<b>2,866</b>	2,705
Operating expenses		<b>(422)</b>	(4,616)
<b>Operating profit</b>	6	<b>2,444</b>	(1,911)
Interest payable & similar charges	7	<b>(2,510)</b>	(2,534)
<b>Loss on ordinary activities before taxation</b>		<b>(66)</b>	(4,445)
Tax charge on loss on ordinary activities	8	-	-
<b>Loss for the financial year</b>	15	<b>(66)</b>	(4,445)

The above results all relate to continuing operations.

The company has no recognised gains and losses other than the losses for the years ended 31 August 2011 and 31 August 2010 and therefore no separate statement of total recognised gains and losses has been presented.

# UPP (Oxford Brookes) Limited

## Note of historical cost profits and losses

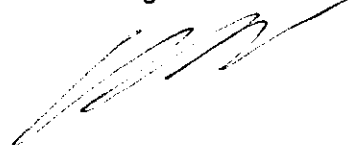


	Year ended 31 August 2011 £'000	Year ended 31 August 2010 £'000
Reported loss on ordinary activities before taxation	<b>(66)</b>	(4,445)
Difference between historical cost depreciation charge and the actual depreciation charge of the year calculated at the revalued amount	<b>27</b>	25
<b>Historical cost loss on ordinary activities before taxation</b>	<b>(39)</b>	(4,420)

**UPP (Oxford Brookes) Limited**  
**Balance sheet**  
**as at 31 August 2011**

	Notes	31 August 2011 £'000	31 August 2010 £'000
<b>Fixed assets</b>			
Tangible assets	9	<b>38,505</b>	38,650
<b>Current assets</b>			
Debtors: amounts falling due within one year	10	<b>14</b>	92
Cash at bank and in hand		<b>2,555</b>	2,253
		<b>2,569</b>	2,345
Creditors: amounts falling due within one year	11	<b>(1,374)</b>	(1,169)
<b>Net current assets</b>		<b>1,195</b>	1,176
<b>Total assets less current liabilities</b>		<b>39,700</b>	39,826
Creditors: amounts falling due after more than one year	12	<b>(37,032)</b>	(37,091)
<b>Provisions for liabilities and charges</b>	13	-	-
		<b>2,668</b>	2,735
<b>Share capital and reserves</b>			
Called up share capital	14	<b>230</b>	230
Profit and loss account	15	<b>(4,667)</b>	(4,627)
Revaluation reserve	15	<b>7,105</b>	7,132
		<b>2,668</b>	2,735

The financial statements were approved by the board on 19 October 2011 and were signed on its behalf by:



**G Behr**  
**Director**

**Registered No: 4116192**



# UPP (Oxford Brookes) Limited

## Notes to the financial statements

### for the year ended 31 August 2011

#### 1. Principal accounting policies

##### (a) Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of fixed assets, and in accordance with applicable accounting standards and the Companies Act 2006. The accounting policies remain unchanged from the previous year.

##### (b) Going concern

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

##### (c) Cash flow statement

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

##### (d) Presentation of principal asset

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

Each year the company reviews the status of these interests, in accordance with the provisions of FRS 5 (Application Note F), assessing the balance of the significant risks and rewards of ownership of the asset. The appropriate balance sheet treatment of these interests is to treat the asset as a finance receivable asset where the company does not have the majority of significant risks and rewards. Where it does, the asset is treated as a tangible fixed asset.

##### (e) Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is calculated so as to write off the cost of the tangible fixed assets, less any residual value, over the expected useful economic lives of the assets concerned once construction is complete. The principal rates of depreciation used for this purpose are:

Assets for use in operating leases - annuity method over the term of the lease

The economic benefit of the principal assets for use in operating leases is the return on assets invested into the financing arrangement with the relevant university. The annuity method takes into account the cost of capital notionally invested in the principal asset. Notional interest calculated using the relevant company's actual weighted cost of capital and depreciation combined will give an approximately constant charge to revenue.

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

# UPP (Oxford Brookes) Limited

## Notes to the financial statements (continued)

### for the year ended 31 August 2011

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

##### (e) Tangible fixed assets (continued)

Where depreciation charges are increased following a revaluation, an amount equal to the increase is transferred annually from the revaluation reserve to the profit and loss account as a movement on reserves.

##### (f) Impairment reviews

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

##### (g) Income recognition

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

##### (h) Debt issue costs

The debt issue costs incurred have been offset against the related debt and will be charged to finance costs at a constant rate on the carrying value of the debt. If it becomes clear that the related debt will be redeemed early then the charge to finance costs will be accelerated. Where there is an early repayment clause within the debt instrument, costs incurred are amortised to the profit and loss account to the earliest opportunity the debt could be repaid.

##### (i) Interest rate swaps

Interest rate swaps are used to hedge the company's exposure to movements on interest rates. The fair value of this financial instrument, which may be an asset or a liability to the company, depending upon the market rate, is not recognised in the financial statements as the company is exempt from adopting FRS 26 and has not voluntarily chosen to adopt.

The interest payable on the debt and associated interest rate swaps is accrued for within the financial statements.

Should the company terminate the interest rate swaps earlier than they mature the company may become liable to pay penalties.

##### (j) Taxation

###### (i) Current tax

The charge for current taxation for the year is based on the result for the year, adjusted for disallowable items.

###### (ii) Deferred tax

Full provision has been made for deferred taxation in respect of timing differences that have originated, but not reversed at the balance sheet date where an event has occurred that results in an obligation to pay more or less tax in the future by the balance sheet date except that:

- Provision is made for gains on disposal of assets that have been rolled over into replacement assets only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned.
- Provision is not made for the remittance of a subsidiary, associate or joint venture's earnings that would cause tax to be payable where no commitment has been made to the remittance of the earnings.
- Deferred tax assets are recognised to the extent that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

# UPP (Oxford Brookes) Limited

## Notes to the financial statements (continued)

### for the year ended 31 August 2011



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

##### (j) Taxation (continued)

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the years in which the timing differences reverse, based on the tax rates enacted at the balance sheet date. Group relief is only accounted for to the extent that a formal policy is in place at the year / period end. Where no policy is in place, current and deferred tax is measured before benefits which may arise from a formal group relief policy.

##### (k) Related party transactions

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

##### (l) Defined contribution pension scheme

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

#### 2. Turnover

Turnover represents income, on the basis of accounting policy 1(g), excluding VAT, attributed to the provision of student accommodation.

#### 3. Directors' remuneration

The directors were paid £10,000 (2010: £10,000) in respect of services performed in connection of the management of the affairs of this company.

#### 4. Auditors' remuneration

	Year ended 31 August 2011 £'000	Year ended 31 August 2010 £'000
Fees payable to the Company's auditor for the audit of the company's annual accounts	14	13
Fees payable to the Company's auditor and its associates for other services:		
Tax services	4	5
	<u>18</u>	<u>18</u>

**UPP (Oxford Brookes) Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 August 2011**

**5. Employee information**

The average number of persons employed by the company during the year was as follows:

	<b>2011</b>	2010
	<b>Number</b>	Number
Site managers (full time)	<b>1</b>	2
Administration, maintenance and cleaning (full and part time)	<b>15</b>	14
	<b>16</b>	16

The employment costs of all employees included above were:

	<b>Year ended</b>	Year ended
	<b>31 August</b>	31 August
	<b>2011</b>	2010
	<b>£'000</b>	£'000
Wages and salaries	<b>288</b>	277
Social security costs	<b>25</b>	24
Other pension costs	<b>6</b>	4
	<b>319</b>	305

**6. Operating profit**

The operating profit is stated after charging:

	<b>Year ended</b>	Year ended
	<b>31 August</b>	31 August
	<b>2011</b>	2010
	<b>£'000</b>	£'000
Depreciation	<b>145</b>	134

**7. Interest payable and similar charges**

	<b>Year ended</b>	Year ended
	<b>31 August</b>	31 August
	<b>2011</b>	2010
	<b>£'000</b>	£'000
Bank loan interest	<b>2,030</b>	2,053
Subordinated loan interest	<b>480</b>	481
	<b>2,510</b>	2,534

**UPP (Oxford Brookes) Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 August 2011**

**8. Tax on loss on ordinary activities**

	Year ended 31 August 2011 £'000	Year ended 31 August 2010 £'000
<b>a) Analysis of charge for the year</b>		
Current tax on income for the year (note 8b)	-	-
<i>Deferred tax:</i>		
Current year	-	-
Adjustments to tax charge in respect of previous years	-	-
Total deferred tax (note 13)	-	-
<b>Tax charge on loss on ordinary activities</b>	<b>-</b>	<b>-</b>

**b) Factors affecting current tax charge for the year**

The tax assessed for the year is higher (2010: higher) than the standard rate of corporation tax in the UK 27% (2010: 28%). The differences are explained below:

	Year ended 31 August 2011 £'000	Year ended 31 August 2010 £'000
Loss on ordinary activities before tax	<b>(66)</b>	<b>(4,445)</b>
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 27% (2010: 28%)	<b>(18)</b>	<b>(1,244)</b>
<i>Effects of:</i>		
Disallowable expenses	<b>28</b>	1,194
Capital allowances in excess of depreciation	<b>11</b>	11
Unutilised tax losses	<b>(21)</b>	39
<b>Current tax charge for the year (note 8a)</b>	<b>-</b>	<b>-</b>

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

A deferred tax asset of £143,000 (2010: £164,000) in respect of available tax losses has not been recognised at 31 August 2011. This is due to there being no persuasive and reliable evidence available at this time of suitable profits to offset these losses.

No provision has been made for deferred tax on gains recognised on revaluing property to its market value. Such tax would become payable only if the property were sold without it being possible to claim rollover relief. The total amount unprovided is £1,320,000 (2010: £1,704,000). At present, it is not envisaged that any tax will become payable in the foreseeable future.

**UPP (Oxford Brookes) Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 August 2011**

**9. Tangible fixed assets**

	<b>Assets for use in operating leases £'000</b>
<b>Cost or valuation</b>	
At 1 September 2010 and 31 August 2011	<u><b>38,783</b></u>
<b>Depreciation</b>	
At 1 September 2010	(133)
Charge during the year	(145)
At 31 August 2011	<u><b>(278)</b></u>
<b>Net book value</b>	
At 31 August 2011	<u><b>38,505</b></u>
At 31 August 2010	<u><u>38,650</u></u>

The fixed asset includes net finance costs up to the date of completion of £1,455,000 (2010: £1,455,000).

Assets used in operating leases were independently valued by JLL (formerly King Sturge), Chartered Surveyors, on an existing use basis at 31 August 2010 with subsequent additions at cost. The valuation was completed as at 31 August 2010. JLL have confirmed that the value as at that date was £38,650,000.

The directors are not aware of any material change in value of the assets used in operating leases, therefore the valuation has not been updated from the JLL valuation of 2010.

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

	<b>Assets for use in operating leases 31 August 2011 £'000</b>	Assets for use in operating leases 31 August 2010 £'000
Cost	<b>31,840</b>	31,840
Depreciation	<b>(440)</b>	(322)
Net book value	<u><b>31,400</b></u>	<u>31,518</u>

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

	<b>31 August 2011 £'000</b>	31 August 2010 £'000
Amounts owed by group undertakings	<b>6</b>	-
Amounts due from parent company	-	7
Prepayments and accrued income	<b>8</b>	85
	<u><b>14</b></u>	<u>92</u>

**UPP (Oxford Brookes) Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 August 2011**

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

	<b>31 August 2011 £'000</b>	31 August 2010 £'000
Bank loans	59	85
Trade creditors	6	-
Amounts owed to group undertakings	98	75
Amounts owed to parent company	354	354
Accruals and deferred income	857	655
	<u>1,374</u>	<u>1,169</u>

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

	<b>Year ended 31 August 2011 £'000</b>	Year ended 31 August 2010 £'000
Senior debt	33,555	33,640
Secured subordinated loan notes	3,536	3,536
	<u>37,091</u>	<u>37,176</u>
Less: included in creditors amounts falling due within one year	(59)	(85)
	<u>37,032</u>	<u>37,091</u>

**Maturity of debt**

Repayable within one year or on demand	59	85
Repayable in more than one year but less than two years	214	59
Repayable in more than two years but less than five years	33,282	33,496
Repayable in more than five years	3,536	3,536
	<u>37,091</u>	<u>37,176</u>
Less: included in creditors amounts falling due within one year	(59)	(85)
	<u>37,032</u>	<u>37,091</u>

Loan amounts drawn down to date on the senior facility of £33,900,000 (2010: £33,900,000) are part of a total agreed facility of £33,900,000. The facility is fully utilised.

**Senior debt**

The Senior facility is repayable by 10 November 2013, with principal repayments having commenced in November 2008. The interest rate was fixed via a swap at 4.69% per annum plus a variable margin.

The senior debt is secured by way of a first fixed charge over the company's fixed asset. Furthermore, the terms of the finance agreement provide that the lender will seek repayment of the finance, as to both principal and interest, only to the extent that sufficient funds are generated by the specific asset financed and it will not seek recourse to the company in any other form. The company is not obliged to support any losses, nor does it intend to do so.

**UPP (Oxford Brookes) Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 August 2011**

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

**Secured subordinated loan notes**

The subordinated loan notes have been provided by UPP Group Limited. The loan notes are subject to the same security as the senior debt facilities but are subordinated to the right of payment of senior debt providers.

The loan notes were fully subscribed at 11 November 2008 and will be repaid by 31 August 2050. They are subject to an effective interest rate of 13.58%.

**13. Provisions for liabilities**

<b>Deferred tax liability</b>	<b>31 August 2011 £'000</b>	31 August 2010 £'000
At 1 September	-	-
Charged to profit & loss account	-	-
<b>At 31 August</b>	<b>-</b>	<b>-</b>
	<b>31 August 2011 £'000</b>	31 August 2010 £'000
<b>Deferred Tax</b>		
The deferred tax liability consists of:		
Accelerated capital allowances	<b>916</b>	1,001
Other timing differences	<b>(916)</b>	(1,001)
<b>Total deferred tax liability</b>	<b>-</b>	<b>-</b>

**14. Called up share capital**

	<b>31 August 2011 £'000</b>	31 August 2010 £'000
<b>Authorised</b>		
230,000 Ordinary shares of £1 each	<b>230</b>	230
<b>Allotted, called up and fully paid</b>		
230,000 Ordinary shares of £1 each	<b>230</b>	230

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

	Share capital £'000	Revaluation reserve £'000	Profit & loss account £'000	Total shareholders' funds £'000
At 1 September 2010	230	7,132	(4,627)	2,735
Transfer to profit and loss	-	(27)	27	-
Loss for the year	-	-	(67)	(67)
<b>At 31 August 2011</b>	<b>230</b>	<b>7,105</b>	<b>(4,667)</b>	<b>2,668</b>



# UPP (Oxford Brookes) Limited

## Notes to the financial statements (continued)

### for the year ended 31 August 2011



#### 16. Parent undertaking and controlling party

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

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

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

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

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

**UPP (Plymouth Three) Limited  
Report and financial statements**

**For the year ended 31 August 2012**

# UPP (Plymouth Three) Limited Report and financial statements for the year ended 31 August 2012

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# UPP (Plymouth Three) Limited Directors and advisors



## **Directors**

G Behr  
J Benkel

## **Secretary**

J Benkel

## **Auditor**

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

## **Registered office**

40 Gracechurch Street  
London  
EC3V 0BT

# UPP (Plymouth Three) Limited

## Directors' report

### for the year ended 31 August 2012



The directors present their report and financial statements for the year ended 31 August 2012.

#### Results, principal activity and review of the business

The group and company's principal activity is the development, funding, and construction of student accommodation under the University Partnerships Programme.

The properties have achieved full occupancy during the financial year. The yearend financial position was in accordance with the directors' expectations. The directors anticipate that the future level of activity will be in accordance with their expectations and consider that the project will yield returns in line with current forecasts.

The group loss for the year attributable to shareholders and reported in the financial statements is £459,000 (2011: £402,000).

#### Going concern

The directors have reviewed the group's and the company's projected profits and cash flows which they have prepared on the basis of a detailed analysis of the group's and the company's finances, contracts and likely future demand trends. The directors have also agreed to waive the company's entitlement to receive any sums outstanding to the extent that its subsidiaries do not have sufficient funds to settle these. At the year end the company has a net liability position and has received confirmation from its immediate parent undertaking that it will provide the necessary financial support to ensure it can meet its liabilities as they fall due. Therefore, after consideration of these projections the directors consider that the group and 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.

As disclosed in note 14, the senior debt facility of £62.9m is due for repayment on 17 April 2013. The directors are currently in the process of negotiating the refinancing of this debt and exploring other means of finance to obtain the best possible terms of finance for the company. Whilst there is a degree of uncertainty as to the outcome of these negotiations, the directors have confidence at this stage that they will be successful.

#### Key performance indicators

The following are considered by the directors to be indicators of performance of the group and company that are not necessarily evident from the financial statements.

	2011/12	2010/11
Applications : acceptance ratio	4.26:1	4.45:1
Core demand pool (no. of students)	13,424	12,794

The indicators above are directly related to the performance of the University of Plymouth and any changes in these statistics may potentially affect the performance of UPP (Plymouth Three) Limited and its subsidiary undertakings UPP (Plymouth) Limited, UPP (Plymouth Two) Limited and UPP (James Square Plymouth) Limited. The company therefore monitors these indicators on an annual basis for any significant changes. The applications to acceptance ratio has slightly increased in comparison to the prior year. The directors are satisfied that the movements noted above are within tolerable limits.

#### Post balance sheet events

On 12 September 2012, UPP Group Holdings Limited, the largest group of which the company is a member, had a 60% stake acquired by PGGM Vermogensbeheer BV ("PGGM"). PGGM is incorporated in the Netherlands. The largest group of which the company is a member will remain UPP Group Holdings Limited.

# UPP (Plymouth Three) Limited Directors' report (continued) for the year ended 31 August 2012

## Financial risk management objectives and policies

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

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

## Interest rate risk

The group finances its operations through a mixture of retained profits, related party borrowings and bank borrowings. The group exposure to interest rate fluctuations on its bank borrowings is managed by the use of interest swaps which fix variable interest rates for a period of time.

## Liquidity risk

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

The maturity of borrowings is set out in note 14 to the financial statements.

## Demand risk

The group is subjected to risks arising from occupancy voids and no nominations by the university partners which can lead to uncertain revenues. This risk is managed by cementing relationships with the university, improved marketing of accommodation and improved third party revenues to compensate for any shortfalls in rental income.

## Portfolio risk

The assets of the group are in the student market and reduced student numbers could impact upon financial performance. The group seeks to mitigate this risk by building excellent long term relationships with its university partner and ensuring up to date in depth market analysis is completed each year to enable the group to review its strategic position.

## Dividend

The directors are unable to propose the payment of a dividend (2011: £Nil).

## Directors and their interests

The directors holding office during the year ended 31 August 2012 and subsequently are:

G Behr  
J Benkel  
A Clapp (Resigned 13 September 2012)  
R McClatchey (Resigned 12 September 2012)

At 31 August 2012, none of the directors had any beneficial interests in the shares of the group or in any of the group companies.

# UPP (Plymouth Three) Limited Directors' report (continued) for the year ended 31 August 2012

## Creditor payment terms

When entering into commitments for the purchase of services and goods, the group gives due consideration to quality, price and the terms of payment. Suppliers are made aware of these terms. The group abides by these terms whenever it is satisfied that suppliers have provided the services or goods in accordance with such agreed terms and conditions. In the event of disputes, efforts are made to resolve these quickly. The average creditor days in the year were 20 days (2011: 30 days).

## Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). 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 and profit or loss of the company and group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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

In so far as each of the directors is aware:

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Auditor

Having passed elective resolutions of the shareholders the group is exempt from the obligation to annually re-appoint auditors and to hold annual general meetings. Accordingly the board recommend that Grant Thornton UK LLP continue in office as auditor to the group.

On behalf of the Board

  
G Behr  
Director

26 October 2012

## Report of the independent auditor to the members of UPP (Plymouth Three) Limited

We have audited the financial statements of UPP (Plymouth Three) Limited for the year ended 31 August 2012 which comprise consolidated profit and loss account, consolidated statement of total recognised gains and losses, consolidated note of historical cost profits and losses, consolidated and company balance sheets and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state 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 Statement of Directors' Responsibilities set out on page 4, 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 (APB'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 APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group and the parent company's affairs as at 31 August 2012 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Emphasis of matter – Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in the going concern paragraph included in the accounting policies in the financial statements concerning the company's ability to continue as a going concern. The company is due to repay its senior debt facility of £62.9m on 17 April 2013 and the directors are currently in the process of negotiating the refinancing of this debt and exploring other means of finance to obtain the best possible terms of finance for the company. These conditions, along with the other matters explained in the going concern paragraph included in the accounting policies to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.



## Report of the independent auditor to the members of UPP (Plymouth Three) Limited (continued)

### Opinion on other matter prescribed by the Companies Act 2006

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

### 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.



**Giles Mullins**  
**Senior Statutory Auditor**  
**For and on behalf of Grant Thornton UK LLP**  
**Statutory Auditors, Chartered Accountants**

**Central Milton Keynes**

29 October 2012

# UPP (Plymouth Three) Limited

## Consolidated profit and loss account

### for year ended 31 August 2012

	Notes	Year ended 31 August 2012 £'000	Year ended 31 August 2011 £'000
Turnover	2	7,495	7,189
Cost of sales		<u>(2,184)</u>	<u>(2,056)</u>
<b>Gross profit</b>		<b>5,311</b>	<b>5,133</b>
Operating expenses		<u>(1,168)</u>	<u>(1,008)</u>
<b>Operating profit</b>	6	<b>4,143</b>	<b>4,125</b>
Interest payable & similar charges	7	<u>(4,513)</u>	<u>(4,299)</u>
<b>Loss on ordinary activities before taxation</b>		<b>(370)</b>	<b>(174)</b>
Tax charge on loss on ordinary activities	8	<u>(89)</u>	<u>(228)</u>
<b>Loss for the financial year</b>	17(a)	<b><u>(459)</u></b>	<b><u>(402)</u></b>

The above results all relate to continuing operations.

# UPP (Plymouth Three) Limited

## Consolidated statement of total recognised gains and losses for year ended 31 August 2012

		Year ended 31 August 2012 £'000	Year ended 31 August 2011 £'000
	Notes		
Loss for the financial year	17(a)	<b>(459)</b>	(402)
Revaluation of principal asset	17(a)	<b>2,089</b>	-
<b>Total recognised gains and losses relating to the year</b>		<b>1,630</b>	<b>(402)</b>

## Consolidated Note of historical cost profits and losses

	Year ended 31 August 2012 £'000	Year ended 31 August 2010 £'001
Reported loss on ordinary activities before taxation	<b>(370)</b>	(174)
Difference between historical cost depreciation charge and the actual depreciation charge of the year calculated at the revalued amount	<b>53</b>	49
<b>Historical cost loss on ordinary activities before taxation</b>	<b>(317)</b>	<b>(125)</b>

# UPP (Plymouth Three) Limited

## Consolidated balance sheet

### as at 31 August 2012

	Notes	31 August 2012 £'000	31 August 2011 £'000
<b>Fixed assets</b>			
Intangible assets	9	1,717	1,754
Tangible assets	10	82,050	80,201
		<u>83,767</u>	<u>81,955</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	12	10	152
Cash at bank and in hand		3,742	3,031
		<u>3,752</u>	<u>3,183</u>
Creditors: amounts falling due within one year	13	(65,490)	(1,904)
<b>Net current (liabilities) / assets</b>		<u>(61,738)</u>	<u>1,279</u>
<b>Total assets less current liabilities</b>		<u>22,029</u>	<u>83,234</u>
Creditors: amounts falling due after more than one year	14	(6,446)	(69,369)
<b>Provisions for liabilities and charges</b>	15	(706)	(618)
		<u>14,877</u>	<u>13,247</u>
<b>Share capital and reserves</b>			
Called up share capital	16	699	699
Revaluation reserve	17(a)	19,558	17,522
Profit and loss account	17(a)	(5,380)	(4,974)
		<u>14,877</u>	<u>13,247</u>

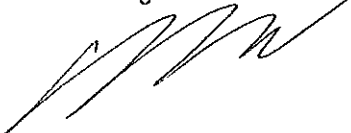
The financial statements were approved by the board on 26 October 2012 and were signed on its behalf by:


  
**G Behr**
  
 Director

**UPP (Plymouth Three) Limited**  
**Company balance sheet**  
**as at 31 August 2012**

	Notes	31 August 2012 £'000	31 August 2011 £'000
<b>Fixed assets</b>			
Tangible assets	10	23,666	24,383
Investments	11	4,490	4,490
		<u>28,156</u>	<u>28,873</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	12	37,346	38,226
Cash at bank and in hand		3,686	2,976
		<u>41,032</u>	<u>41,202</u>
Creditors: amounts falling due within one year	13	(65,194)	(1,700)
<b>Net current (liabilities) / assets</b>		<u>(24,162)</u>	<u>39,502</u>
<b>Total assets less current liabilities</b>		<u>3,994</u>	<u>68,375</u>
Creditors: amounts falling due after more than one year	14	(6,446)	(69,369)
<b>Provisions for liabilities and charges</b>	15	-	-
		<u>(2,452)</u>	<u>(994)</u>
<b>Share capital and reserves</b>			
Called up share capital	16	699	699
Revaluation reserve	17(b)	2,264	2,917
Profit and loss account	17(b)	(5,415)	(4,610)
		<u>(2,452)</u>	<u>(994)</u>

The financial statements were approved by the board on 26 October 2012 and were signed on its behalf by:



**G Behr**  
**Director**

**Registered No: 05016132**

# UPP (Plymouth Three) Limited

## Notes to the financial statements

### for the year ended 31 August 2012

#### 1. Principal accounting policies

##### (a) Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of fixed assets, and in accordance with applicable accounting standards and the Companies Act 2006. The accounting policies remain unchanged from the previous year.

##### (b) Going concern

The directors have reviewed the company's and group's projected profits and cash flows which they have prepared on the basis of a detailed analysis of the company's and group's finances, contracts and likely future demand trends. The directors have also agreed to waive the company's entitlement to receive any sums outstanding to the extent that its subsidiaries do not have sufficient funds to settle these. At the year end the company has a net liability position and has received confirmation from its immediate parent undertaking that it will provide the necessary financial support to ensure it can meet its liabilities as they fall due.

Therefore, after consideration of these projections the directors consider that the company and the group will be able to settle its liabilities as they fall due and accordingly the financial statements have been prepared on a going concern basis.

As disclosed in note 14, the senior debt facility of £62.9m is due for repayment on 17 April 2013. The directors are currently in the process of negotiating the refinancing of this debt and exploring other means of finance to obtain the best possible terms of finance for the company. Whilst there is a degree of uncertainty as to the outcome of these negotiations, the directors have confidence at this stage that they will be successful.

##### (c) Basis of consolidation

The group financial statements consolidate the financial statements of UPP (Plymouth Three) Limited and its subsidiary undertakings UPP (Plymouth) Limited, UPP (Plymouth Two) Limited and UPP (James Square Plymouth) Limited prepared to 31 August each year using the acquisition method from the date control passes to the group. No profit and loss account is presented for UPP (Plymouth Three) Limited as permitted by section 408 of the Companies Act 2006. The loss dealt with in the company for the financial year was £814,000 (2011: £592,000).

##### (d) Cash flow statement

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

##### (e) Intangible assets

Goodwill arose on the acquisition of the subsidiary undertakings during the year ended 31 August 2008.

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

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

# UPP (Plymouth Three) Limited

## Notes to the financial statements (continued)

### for the year ended 31 August 2012

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

##### (f) Presentation of principal asset

Rent receivable is generated from the group's interests in university accommodation. Each year the group reviews the status of these interests, in accordance with the provisions of FRS 5 (Application Note F), assessing the balance of the significant risks and rewards of ownership of the asset. The appropriate balance sheet treatment of these interests is to treat the asset as a finance receivable asset where the group does not have the majority of significant risks and rewards. Where it does, the asset is treated as a tangible fixed asset.

##### (g) Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is calculated so as to write off the cost of the tangible fixed assets, less any residual value, over the expected useful economic lives of the assets concerned once construction is complete. The principal rates of depreciation used for this purpose are:

Assets for use in operating leases - annuity method over the term of the lease

The economic benefit of the principal assets for use in operating leases is the return on assets invested into the financing arrangement with the relevant university. The annuity method takes into account the cost of capital notionally invested in the principal asset. Notional interest calculated using the relevant company's actual weighted cost of capital and depreciation combined will give an approximately constant charge to revenue.

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

Where depreciation charges are increased following a revaluation, an amount equal to the increase is transferred annually from the revaluation reserve to the profit and loss account as a movement on reserves.

##### (h) Investments

Investments are held at historic cost less amounts written off.

##### (i) Impairment reviews

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

##### (j) Income recognition

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

# UPP (Plymouth Three) Limited

## Notes to the financial statements (continued)

### for the year ended 31 August 2012

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

##### (k) Debt issue costs

The debt issue costs incurred have been offset against the related debt and will be charged to finance costs at a constant rate on the carrying value of the debt. If it becomes clear that the related debt will be redeemed early then the charge to finance costs will be accelerated. Where there is an early repayment clause within the debt instrument, costs incurred are amortised to the profit and loss account to the earliest opportunity the debt could be repaid.

##### (l) Interest rate swaps

Interest rate swaps are used to hedge the group's exposure to movements on interest rates. The fair value of this financial instrument, which may be an asset or a liability to the company, depending upon the market rate, is not recognised in the financial statements as the group is exempt from adopting FRS 26 and has not voluntarily chosen to adopt.

The interest payable on the debt and associated interest rate swaps is accrued for within the financial statements.

Should the group terminate the interest rate swaps earlier than they mature the group may become liable to pay penalties.

##### (m) Taxation

###### (i) Current tax

The charge for current taxation for the year is based on the result for the year, adjusted for disallowable items.

###### (ii) Deferred tax

Full provision has been made for deferred taxation in respect of timing differences that have originated, but not reversed at the balance sheet date where an event has occurred that results in an obligation to pay more or less tax in the future by the balance sheet date except that:

- Provision is made for gains on disposal of assets that have been rolled over into replacement assets only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned.
- Provision is not made for the remittance of a subsidiary, associate or joint venture's earnings that would cause tax to be payable where no commitment has been made to the remittance of the earnings.
- Deferred tax assets are recognised to the extent that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the years in which the timing differences reverse, based on the tax rates enacted at the balance sheet date. Group relief is only accounted for to the extent that a formal policy is in place at the year / period end. Where no policy is in place, current and deferred tax is measured before benefits which may arise from a formal group relief policy.

##### (n) Related party transactions

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



**UPP (Plymouth Three) Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 August 2012**

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

**(o) Defined contribution pension scheme**

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

**2. Turnover**

Turnover represents income, on the basis of accounting policy 1(j), excluding VAT, attributed to the provision of student accommodation.

**3. Directors' remuneration**

The directors accrued £10,000 (2011: £11,000) in respect of services performed in connection of the management of the affairs of this group.

**4. Auditors' remuneration**

	<b>Year ended 31 August 2012 £'000</b>	Year ended 31 August 2011 £'000
Fees payable to the Group's auditor for the audit of the company's annual accounts	<b>15</b>	15
Fees payable to the Group's auditor and its associates for other services:		
Audit of the company's subsidiaries	<b>45</b>	45
Tax services	<b>16</b>	16
	<b><u>76</u></b>	<u>76</u>

**5. Employee information**

The average number of persons employed by the group during the year was as follows:

	<b>2012 Number</b>	2011 Number
Site managers (full time)	<b>1</b>	1
Administration, maintenance and cleaning (full and part time)	<b>44</b>	46
	<b><u>45</u></b>	<u>47</u>

The employment costs of all employees included above were:

	<b>Year ended 31 August 2012 £'000</b>	Year ended 31 August 2011 £'000
Wages and salaries	<b>639</b>	582
Social security costs	<b>41</b>	37
Other pension costs	<b>9</b>	9
	<b><u>689</u></b>	<u>628</u>

**UPP (Plymouth Three) Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 August 2012**

**6. Operating profit**

The operating profit is stated after charging:

	Year ended 31 August 2012 £'000	Year ended 31 August 2011 £'000
Amortisation of goodwill	37	36
Depreciation	<u>240</u>	<u>225</u>

**7. Interest payable and similar charges**

	Year ended 31 August 2012 £'000	Year ended 31 August 2011 £'000
Bank loan interest	3,639	3,631
Subordinated debt bridge interest	-	131
Subordinated loan interest	<u>874</u>	<u>537</u>
	<u>4,513</u>	<u>4,299</u>

**8. Tax on loss on ordinary activities**

	31 August 2012 £'000 Group	31 August 2011 £'000 Group
a) <b>Analysis of charge for the year</b>		
Current tax on income for the year (note 8b)	<u>-</u>	<u>-</u>
<i>Deferred tax:</i>		
Current year	151	153
Rate difference	(61)	(49)
Adjustment in respect of prior years	<u>(1)</u>	<u>124</u>
<b>Tax on loss on ordinary activities</b>	<u>89</u>	<u>228</u>

**UPP (Plymouth Three) Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 August 2012**

**8. Tax on loss on ordinary activities (continued)**

**b) Factors affecting current tax charge for the year**

The tax assessed for the year is higher (2011: higher) than the standard rate of corporation tax in the UK 25% (2011: 27%). The differences are explained below:

	<b>31 August 2012 £'000 Group</b>	31 August 2011 £'000 Group
Loss on ordinary activities before tax	<u>(370)</u>	<u>(174)</u>
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 25% (2011: 27%)	<b>(93)</b>	<b>(47)</b>
<i>Effects of:</i>		
Disallowable expenses	<b>53</b>	54
Capital allowances in excess of depreciation	<b>(145)</b>	(148)
Unutilised tax losses	<u>185</u>	<u>141</u>
<b>Current tax charge for the year (note 8a)</b>	<u>-</u>	<u>-</u>

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

A deferred tax asset of £1,139,000 (2011: £1,450,000) for the group and £1,139,000 (2011: £1,450,000) for the company in respect of available tax losses and other timing differences has not been recognised at 31 August 2012. This is due to there being no persuasive and reliable evidence available at this time of suitable profits to offset these losses.

No provision has been made for deferred tax on gains recognised on revaluing property to its market value. Such tax would become payable only if the property were sold without it being possible to claim rollover relief. The total amount unprovided is £5,398,000 (2011: £4,242,000). At present, it is not envisaged that any tax will become payable in the foreseeable future.

**9. Intangible fixed assets**

	<b>Group Positive Goodwill £'000</b>
<b>Cost</b>	
At 1 September 2011 and at 31 August 2012	<u>1,892</u>
<b>Amortisation</b>	
At 1 September 2011	(138)
Charge during the year	(37)
<b>At 31 August 2012</b>	<u>(175)</u>
<b>Net book value</b>	
<b>At 31 August 2012</b>	<u>1,717</u>
At 31 August 2011	<u>1,754</u>

Goodwill arose on the acquisition of the subsidiary undertakings during the year ended 31 August 2008.

**UPP (Plymouth Three) Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 August 2012**

**10. Tangible fixed assets**

	<b>Assets for use in operating leases Group £'000</b>	<b>Assets for use in operating leases Company £'000</b>
<b>Cost or valuation</b>		
At 1 September 2011	80,636	24,515
Revaluation	1,414	(849)
<b>At 31 August 2012</b>	<b>82,050</b>	<b>23,666</b>
<b>Depreciation</b>		
At 1 September 2011	(435)	(132)
Charge during the year	(240)	(73)
Revaluation	675	205
<b>At 31 August 2012</b>	<b>-</b>	<b>-</b>
<b>Net book value</b>		
<b>At 31 August 2012</b>	<b>82,050</b>	<b>23,666</b>
At 31 August 2011	80,201	24,383

Fixed assets for the group include finance costs up to the date of completion of £2,792,000.

Assets used in operating leases were independently valued by Jones Lange LaSalle ("JLL"), Chartered Surveyors, on an existing use basis at 31 August 2012 with subsequent additions at cost. The valuation was completed as at 31 August 2012. JLL have confirmed that the value as at that date was £82,050,000.

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

	<b>Assets for use in operating leases Group 31 August 2012 £'000</b>	<b>Assets for use in operating leases Group 31 August 2011 £'000</b>	<b>Assets for use in operating leases Company 31 August 2012 £'000</b>	<b>Assets for use in operating leases Company 31 August 2011 £'000</b>
Cost	63,210	63,210	21,651	21,651
Depreciation	(718)	(531)	(249)	(185)
<b>Net book value</b>	<b>62,492</b>	<b>62,679</b>	<b>21,402</b>	<b>21,466</b>

# UPP (Plymouth Three) Limited

## Notes to the financial statements (continued)

### for the year ended 31 August 2012

#### 11. Fixed asset investments

£'000

Cost at 1 September 2011 and 31 August 2012 4,490

The fixed asset investment represents 100% of the share capital of UPP (Plymouth) Limited, UPP (Plymouth Two) Limited and UPP James Square Plymouth Limited which were acquired on the 17 April 2008. This is stated at a cost of £4,490,000.

The company has an interest in the following companies which are registered in England and Wales:

Undertaking	Class of share capital held	Proportion held	Nature of business	Aggregate capital and reserves	Profit for the year
				£'000	£'000
UPP (Plymouth) Limited	Ordinary	100%	Property	9,882	151
UPP (Plymouth Two) Limited	Ordinary	100%	Property	6,783	87
UPP James Square Plymouth Limited	Ordinary	100%	Property	3,422	154

The fixed asset investment value above represents the carrying value of the company's investment in its subsidiary undertaking UPP (Plymouth) Limited, UPP (Plymouth Two) Limited and UPP James Square Plymouth Limited.

#### 12 Debtors: amounts falling due within one year

	31 August 2012	31 August 2012	31 August 2011	31 August 2011
	£'000	£'000	£'000	£'000
	Group	Company	Group	Company
Trade debtors	-	-	133	133
Amounts due from subsidiary undertaking	-	37,343	-	38,083
Prepayments and accrued income	10	3	19	10
	<u>10</u>	<u>37,346</u>	<u>152</u>	<u>38,226</u>

The company has provided loans to its subsidiaries payable on demand. The company confirms it will continue to support its subsidiaries for a period of 12 months from the signing of these accounts.

**UPP (Plymouth Three) Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 August 2012**

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

	31 August 2012 £'000	31 August 2012 £'000	31 August 2011 £'000	31 August 2011 £'000
	Group	Company	Group	Company
Bank loans	62,923	62,923	14	14
Trade creditors	1	1	22	9
Amounts owed to group undertakings	377	202	335	256
Amounts owed to parent company	683	674	432	423
VAT Payable	1	1	-	-
Accruals and deferred income	1,505	1,393	1,101	998
	<u>65,490</u>	<u>65,194</u>	<u>1,904</u>	<u>1,700</u>

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

	Year ended 31 August 2012 £'000	Year ended 31 August 2011 £'000
	Group and Company	Group and Company
Senior debt	62,865	62,879
Secured subordinated loan notes	6,504	6,504
	<u>69,369</u>	<u>69,383</u>
Less: included in creditors amounts falling due within one year	(62,923)	(14)
	<u>6,446</u>	<u>69,369</u>

**Maturity of debt**

Repayable within one year or on demand	62,918	14
Repayable in more than one year but less than two years	15	62
Repayable in more than two years but less than five years	137	173
Repayable in more than five years	6,299	69,134
	<u>69,369</u>	<u>69,383</u>
Less: senior debt falling due within one year	(62,865)	(14)
Less: subordinated debt falling due within one year	(58)	-
	<u>6,446</u>	<u>69,369</u>

The loan amounts drawn down to date are for £62,966,000 of senior debt agreed facility of £62,966,000.

**UPP (Plymouth Three) Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 August 2012**

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

**Senior debt**

The senior debt is payable on 17 April 2013 with principal repayments having commenced on 31 May 2008. The interest rate is fixed via a swap at a rate of 5.78% plus a variable margin.

The senior debt is secured by way of a first fixed charge over the tangible fixed asset. Furthermore, the terms of the finance agreement provide that the lender will seek repayment of the finance, as to both principal and interest, only to the extent that sufficient funds are generated by the specific asset financed and it will not seek recourse to the group in any other form. The group is not obliged to support any losses, nor does it intend to do so.

**Secured subordinated loan notes**

The subordinated loan notes are provided by UPP Group Limited in two tranches; the first of £3,998,010 were subscribed for on 16 April 2008, the second of £2,506,307 was subscribed on the 31 August 2011. The loan notes are subject to the same security as the senior debt facilities but are subordinated to the right of payment of senior debt providers.

The loan notes will be repaid in 2058 and are subject to an effective interest rate of 13.44%.

**15. Provisions for liabilities**

	<b>31 August 2012 £'000 Group</b>	<b>31 August 2012 £'000 Company</b>	<b>31 August 2011 £'000 Group</b>	<b>31 August 2012 £'000 Company</b>
<b>Deferred tax liability</b>				
At 1 September	617	-	390	-
Charged to profit and loss account	89	-	227	-
<b>At 31 August</b>	<b>706</b>	<b>-</b>	<b>617</b>	<b>-</b>
<b>Deferred tax</b>				
	<b>31 August 2012 £'000 Group</b>	<b>31 August 2012 £'000 Company</b>	<b>31 August 2011 £'000 Group</b>	<b>31 August 2012 £'000 Company</b>
The deferred tax liability consists of:				
Accelerated capital allowances	2,061	2,061	2,095	1,478
Deferred tax not recognised	1,139	433	1,450	1,450
Tax losses	(2,494)	(2,494)	(2,928)	(2,928)
<b>Total deferred tax liability</b>	<b>706</b>	<b>-</b>	<b>617</b>	<b>-</b>

**UPP (Plymouth Three) Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 August 2012**

**16. Called up share capital**

	<b>31 August 2012 £'000</b>	31 August 2011 £'000
<b>Authorised, allotted, called up and fully paid</b> 698,801 A Ordinary shares of £1 each	<b>699</b>	699

**17. Reconciliation of shareholders' funds / (deficit) and movement on reserves**

**(a) Group**

	Share capital £'000	Revaluation Reserve £'000	Profit and loss account £'000	Total shareholders' funds £'000
At 1 September 2011	699	17,522	(4,974)	13,247
Transfer to profit and loss	-	(53)	53	-
Revaluation	-	2,089	-	2,089
Loss for the year	-	-	(459)	(459)
<b>At 31 August 2012</b>	<b>699</b>	<b>19,558</b>	<b>(5,380)</b>	<b>14,877</b>

**(b) Company**

	Share capital £'000	Revaluation Reserve £'000	Profit and loss account £'000	Total shareholders' deficit £'000
At 1 September 2011	699	2,917	(4,610)	(994)
Transfer to profit and loss	-	(9)	9	-
Revaluation	-	(644)	-	(644)
Loss for the year	-	-	(814)	(814)
<b>At 31 August 2012</b>	<b>699</b>	<b>2,264</b>	<b>(5,415)</b>	<b>(2,452)</b>



# UPP (Plymouth Three) Limited

## Notes to the financial statements (continued)

### for the year ended 31 August 2012

#### 18. Parent undertaking and controlling party

UPP (Plymouth Three) Limited is a wholly owned subsidiary of UPP Group Limited, which is a wholly owned subsidiary of UPP Group Holdings Limited.

UPP Group Holdings Limited is controlled by a 60% stake held by PGGM Vermogensbeheer BV ("PGGM"). The remaining 40% is held by The Alma Mater Fund LP (acting through its general partner Barclays Alma Mater General Partner Limited), Barclays European Infrastructure Fund (UPP) LP (acting through its general partner Barclays European Infrastructure Limited) and Barclays European Infrastructure Fund II LP (acting through its Barclays European Infrastructure II Limited). The Alma Mater Fund LP and Barclays Alma Mater General Partner Limited are collectively referred to as 'Alma Mater'.

It is the directors' opinion that the ultimate controlling party changed from Alma Mater to PGGM on 12 September 2012.

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

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

#### 19. Post balance sheet events

On 12 September 2012, UPP Group Holdings Limited, the largest group of which the company is a member, had a 60% stake acquired by PGGM. PGGM is incorporated in the Netherlands. The largest group of which the company is a member will remain UPP Group Holdings Limited.

**UPP (Plymouth Three) Limited  
Report and financial statements**

**For the year ended 31 August 2011**

# UPP (Plymouth Three) Limited Report and financial statements for the year ended 31 August 2011

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# UPP (Plymouth Three) Limited Directors and advisors



## **Directors**

G Behr  
J Benkel  
A Clapp  
R McClatchey

## **Secretary**

J Benkel

## **Auditor**

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

## **Registered office**

40 Gracechurch Street  
London  
EC3V 0BT

# UPP (Plymouth Three) Limited

## Directors' report

### for the year ended 31 August 2011



The directors present their report and financial statements for the year ended 31 August 2011.

#### Results, principal activity and review of the business

The group and company's principal activity is the development, funding, and construction of student accommodation under the University Partnerships Programme.

The properties have achieved full occupancy during the financial year. The year end financial position was in accordance with the directors' expectations. The directors anticipate that the future level of activity will be in accordance with their expectations and consider that the project will yield returns in line with current forecasts.

The group loss for the year attributable to shareholders and reported in the financial statements is £402,000 (2010: £392,000).

#### Going concern

The directors have reviewed the group's and the company's projected profits and cash flows which they have prepared on the basis of a detailed analysis of the group's and the company's finances, contracts and likely future demand trends. The company has a net liability position and has received confirmation from its immediate parent undertaking that it will provide the necessary financial support to ensure it can meet its liabilities as they fall due. Therefore, after consideration of these projections the directors consider that the group and 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.

#### Key performance indicators

The following are considered by the directors to be indicators of performance of the group and company that are not necessarily evident from the financial statements.

	2010/11	2009/10
Applications : acceptance ratio	4.45:1	4.11:1
Core demand pool (no. of students)	12,794	12,026

The indicators above are directly related to the performance of the University of Plymouth and any changes in these statistics may potentially affect the performance of UPP (Plymouth Three) Limited and its subsidiary undertakings UPP (Plymouth) Limited, UPP (Plymouth Two) Limited and UPP (James Square Plymouth) Limited. The company therefore monitors these indicators on an annual basis for any significant changes. The applications to acceptance ratio has slightly increased in comparison to the prior year. The directors are satisfied that the movements noted above are within tolerable limits.

#### Financial risk management objectives and policies

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

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

#### Interest rate risk

The group finances its operations through a mixture of retained profits, related party borrowings and bank borrowings. The group exposure to interest rate fluctuations on its bank borrowings is managed by the use of interest swaps which fix variable interest rates for a period of time.

# UPP (Plymouth Three) Limited Directors' report (continued) for the year ended 31 August 2011

## Liquidity risk

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

The maturity of borrowings is set out in note 14 to the financial statements.

## Demand risk

The group is subjected to risks arising from occupancy voids and no nominations by the university partners which can lead to uncertain revenues. This risk is managed by cementing relationships with the university, improved marketing of accommodation and improved third party revenues to compensate for any shortfalls in rental income.

## Portfolio risk

The assets of the group are in the student market and reduced student numbers could impact upon financial performance. The group seeks to mitigate this risk by building excellent long term relationships with its university partner and ensuring up to date in depth market analysis is completed each year to enable the group to review its strategic position.

## Dividend

The directors are unable to propose the payment of a dividend (2010: £Nil).

## Directors and their interests

The directors holding office during the year ended 31 August 2011 and subsequently are:

M Allen	(resigned 18 February 2011)
G Behr	
J Benkel	(appointed 18 February 2011)
A Clapp	(appointed 18 February 2011)
R McClatchey	(appointed 17 June 2011)

At 31 August 2011, none of the directors had any beneficial interests in the shares of the group or in any of the group companies.

## Creditor payment terms

When entering into commitments for the purchase of services and goods, the group gives due consideration to quality, price and the terms of payment. Suppliers are made aware of these terms. The group abides by these terms whenever it is satisfied that suppliers have provided the services or goods in accordance with such agreed terms and conditions. In the event of disputes, efforts are made to resolve these quickly. The average creditor days in the year were 30 days (2010: 32 days).

## Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). 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 and profit or loss of the company and group for that period. In preparing these financial statements, the directors are required to:

# UPP (Plymouth Three) Limited Directors' report (continued) for the year ended 31 August 2011

## Statement of directors' responsibilities (continued)

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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

In so far as each of the directors is aware:

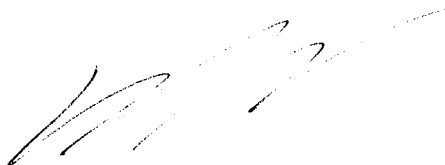
- there is no relevant audit information of which the group's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Auditor

Having passed elective resolutions of the shareholders the group is exempt from the obligation to annually re-appoint auditors and to hold annual general meetings. Accordingly the board recommend that Grant Thornton UK LLP continue in office as auditor to the group.

## On behalf of the Board



**G Behr**  
Director

19 October 2011

## **Report of the independent auditor to the members of UPP (Plymouth Three) Limited**

We have audited the financial statements of UPP (Plymouth Three) Limited for the year ended 31 August 2011 which comprise consolidated profit and loss account, consolidated note of historical cost profits and losses, consolidated and company balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Statement of Directors' Responsibilities set out on pages 3 and 4, 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 (APB'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 APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the group and the parent company's affairs as at 31 August 2011 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

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





Grant Thornton

**Report of the independent auditor to the members of  
UPP (Plymouth Three) 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.

*Grant Thornton UK LLP*

**Giles Mullins  
Senior Statutory Auditor  
For and on behalf of Grant Thornton UK LLP  
Statutory Auditors, Chartered Accountants**

**Central Milton Keynes**

**21 October 2011**

# UPP (Plymouth Three) Limited

## Consolidated profit and loss account

### for year ended 31 August 2011

	Notes	Year ended 31 August 2011 £'000	Year ended 31 August 2010 £'000
Turnover	2	7,189	6,890
Cost of sales		<u>(2,056)</u>	<u>(1,980)</u>
<b>Gross profit</b>		<b>5,133</b>	4,910
Operating expenses		<u>(1,008)</u>	<u>(874)</u>
<b>Operating profit</b>	6	<b>4,125</b>	4,036
Interest payable & similar charges	7	<u>(4,299)</u>	<u>(4,331)</u>
<b>Loss on ordinary activities before taxation</b>		<b>(174)</b>	(295)
Tax (charge) / credit on loss on ordinary activities	8	<u>(228)</u>	<u>(97)</u>
<b>Loss for the financial year</b>	17	<u><b>(402)</b></u>	<u>(392)</u>

The above results all relate to continuing operations.

The group has no recognised gains and losses other than the losses for the years ended 31 August 2011 and 31 August 2010 and therefore no separate statement of total recognised gains and losses has been presented.

# UPP (Plymouth Three) Limited

## Consolidated Note of historical cost profits and losses



	Year ended 31 August 2011 £'000	Year ended 31 August 2010 £'000
Reported loss on ordinary activities before taxation	(174)	(295)
Difference between historical cost depreciation charge and the actual depreciation charge of the year calculated at the revalued amount	49	46
<b>Historical cost loss on ordinary activities before taxation</b>	<b>(125)</b>	<b>(249)</b>

# UPP (Plymouth Three) Limited

## Consolidated balance sheet

### as at 31 August 2011

		31 August 2011 £'000	31 August 2010 £'000
	Notes		
<b>Fixed assets</b>			
Intangible assets	9	1,754	1,790
Tangible assets	10	80,201	80,430
		<b>81,955</b>	<b>82,220</b>
<b>Current assets</b>			
Debtors: amounts falling due within one year	12	152	154
Cash at bank and in hand		3,031	2,649
		<b>3,183</b>	<b>2,803</b>
Creditors: amounts falling due within one year	13	(1,904)	(4,107)
<b>Net current assets / (liabilities)</b>		<b>1,279</b>	<b>(1,304)</b>
<b>Total assets less current liabilities</b>		<b>83,234</b>	<b>80,916</b>
Creditors: amounts falling due after more than one year	14	(69,369)	(66,877)
<b>Provisions for liabilities and charges</b>	15	(618)	(390)
		<b>13,247</b>	<b>13,649</b>
<b>Share capital and reserves</b>			
Called up share capital	16	699	699
Profit and loss account	17	(4,974)	(4,621)
Revaluation reserve	17	17,522	17,571
		<b>13,247</b>	<b>13,649</b>

The financial statements were approved by the board on 19 October 2011 and were signed on its behalf by:

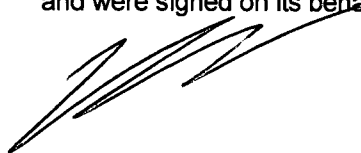


**G Behr**  
Director

**UPP (Plymouth Three) Limited  
Company balance sheet  
as at 31 August 2011**

		31 August 2011 £'000	31 August 2010 £'000
	Notes		
<b>Fixed assets</b>			
Tangible assets	10	24,383	24,451
Investments	11	4,490	4,490
		<u>28,873</u>	<u>28,941</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	12	38,226	38,725
Cash at bank and in hand		2,976	2,599
		<u>41,202</u>	<u>41,324</u>
Creditors: amounts falling due within one year	13	(1,700)	(3,790)
<b>Net current assets</b>		<u>39,502</u>	<u>37,534</u>
<b>Total assets less current liabilities</b>		<u>68,375</u>	<u>66,475</u>
Creditors: amounts falling due after more than one year	14	(69,369)	(66,877)
<b>Provisions for liabilities and charges</b>	15	-	-
		<u>(994)</u>	<u>(402)</u>
<b>Share capital and reserves</b>			
Called up share capital	16	699	699
Profit and loss account	17	(4,610)	(4,026)
Revaluation reserve	17	2,917	2,925
		<u>(994)</u>	<u>(402)</u>

The financial statements were approved by the board on 19 October 2011  
and were signed on its behalf by:



**G Behr**  
Director

Registered No: 05016132

# UPP (Plymouth Three) Limited

## Notes to the financial statements

### for the year ended 31 August 2011

#### 1. Principal accounting policies

##### (a) Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of fixed assets, and in accordance with applicable accounting standards and the Companies Act 2006. The accounting policies remain unchanged from the previous year.

##### (b) Going concern

The directors have reviewed the group's and the company's projected profits and cash flows which they have prepared on the basis of a detailed analysis of the group's and the company's finances, contracts and likely future demand trends. The company has a net liability position and has received confirmation from its immediate parent undertaking that it will provide the necessary financial support to ensure it can meet its liabilities as they fall due. Therefore, after consideration of these projections the directors consider that the group and the company will be able to settle its liabilities as they fall due and accordingly the financial statements have been prepared on a going concern basis.

##### (c) Basis of consolidation

The group financial statements consolidate the financial statements of UPP (Plymouth Three) Limited and its subsidiary undertakings UPP (Plymouth) Limited, UPP (Plymouth Two) Limited and UPP (James Square Plymouth) Limited prepared to 31 August each year using the acquisition method from the date control passes to the group. No profit and loss account is presented for UPP (Plymouth Three) Limited as permitted by section 408 of the Companies Act 2006. The loss dealt with in the company for the financial year was £592,000 (2010: £545,000).

##### (d) Cash flow statement

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

##### (e) Intangible assets

Goodwill arose on the acquisition of the subsidiary undertakings during the year ended 31 August 2008.

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

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

# UPP (Plymouth Three) Limited

## Notes to the financial statements (continued)

### for the year ended 31 August 2011

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

##### (f) Presentation of principal asset

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

Each year the group reviews the status of these interests, in accordance with the provisions of FRS 5 (Application Note F), assessing the balance of the significant risks and rewards of ownership of the asset. The appropriate balance sheet treatment of these interests is to treat the asset as a finance receivable asset where the group does not have the majority of significant risks and rewards. Where it does, the asset is treated as a tangible fixed asset.

##### (g) Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is calculated so as to write off the cost of the tangible fixed assets, less any residual value, over the expected useful economic lives of the assets concerned once construction is complete. The principal rates of depreciation used for this purpose are:

Assets for use in operating leases - annuity method over the term of the lease

The economic benefit of the principal assets for use in operating leases is the return on assets invested into the financing arrangement with the relevant university. The annuity method takes into account the cost of capital notionally invested in the principal asset. Notional interest calculated using the relevant company's actual weighted cost of capital and depreciation combined will give an approximately constant charge to revenue.

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

Where depreciation charges are increased following a revaluation, an amount equal to the increase is transferred annually from the revaluation reserve to the profit and loss account as a movement on reserves.

##### (h) Investments

Investments are held at historic cost less amounts written off.

##### (i) Impairment reviews

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

##### (j) Income recognition

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

# UPP (Plymouth Three) Limited

## Notes to the financial statements (continued)

### for the year ended 31 August 2011

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

##### (k) Debt issue costs

The debt issue costs incurred have been offset against the related debt and will be charged to finance costs at a constant rate on the carrying value of the debt. If it becomes clear that the related debt will be redeemed early then the charge to finance costs will be accelerated. Where there is an early repayment clause within the debt instrument, costs incurred are amortised to the profit and loss account to the earliest opportunity the debt could be repaid.

##### (l) Interest rate swaps

Interest rate swaps are used to hedge the group's exposure to movements on interest rates. The fair value of this financial instrument, which may be an asset or a liability to the company, depending upon the market rate, is not recognised in the financial statements as the group is exempt from adopting FRS 26 and has not voluntarily chosen to adopt.

The interest payable on the debt and associated interest rate swaps is accrued for within the financial statements.

Should the group terminate the interest rate swaps earlier than they mature the group may become liable to pay penalties.

##### (m) Taxation

###### (i) Current tax

The charge for current taxation for the year is based on the result for the year, adjusted for disallowable items.

###### (ii) Deferred tax

Full provision has been made for deferred taxation in respect of timing differences that have originated, but not reversed at the balance sheet date where an event has occurred that results in an obligation to pay more or less tax in the future by the balance sheet date except that:

- Provision is made for gains on disposal of assets that have been rolled over into replacement assets only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned.
- Provision is not made for the remittance of a subsidiary, associate or joint venture's earnings that would cause tax to be payable where no commitment has been made to the remittance of the earnings.
- Deferred tax assets are recognised to the extent that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the years in which the timing differences reverse, based on the tax rates enacted at the balance sheet date. Group relief is only accounted for to the extent that a formal policy is in place at the year / period end. Where no policy is in place, current and deferred tax is measured before benefits which may arise from a formal group relief policy.

##### (n) Related party transactions

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



# UPP (Plymouth Three) Limited

## Notes to the financial statements (continued)

### for the year ended 31 August 2011

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

##### (o) Defined contribution pension scheme

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

#### 2. Turnover

Turnover represents income, on the basis of accounting policy 1(j), excluding VAT, attributed to the provision of student accommodation.

#### 3. Directors' remuneration

The directors accrued £11,000 (2010: £41,000) in respect of services performed in connection of the management of the affairs of this group.

#### 4. Auditors' remuneration

	Year ended 31 August 2011 £'000	Year ended 31 August 2010 £'000
Fees payable to the Group's auditor for the audit of the company's annual accounts	15	15
Fees payable to the Group's auditor and its associates for other services:		
Audit of the company's subsidiaries	45	45
Tax services	16	20
	<u>76</u>	<u>80</u>

#### 5. Employee information

The average number of persons employed by the group during the year was as follows:

	2011 Number	2010 Number
Site managers (full time)	1	1
Administration, maintenance and cleaning (full and part time)	46	48
	<u>47</u>	<u>49</u>

The employment costs of all employees included above were:

	Year ended 31 August 2011 £'000	Year ended 31 August 2010 £'000
Wages and salaries	582	567
Social security costs	37	37
Other pension costs	9	3
	<u>628</u>	<u>607</u>

**UPP (Plymouth Three) Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 August 2011**

**6. Operating profit**

The operating profit is stated after charging:

	Year ended 31 August 2011 £'000	Year ended 31 August 2010 £'000
Amortisation of goodwill	36	36
Depreciation	<u>225</u>	<u>210</u>

**7. Interest payable and similar charges**

	Year ended 31 August 2011 £'000	Year ended 31 August 2010 £'000
Bank loan interest	3,631	3,661
Subordinated debt bridge interest	131	133
Subordinated loan interest	<u>537</u>	<u>537</u>
	<u>4,299</u>	<u>4,331</u>

**8. Tax on loss on ordinary activities**

	31 August 2011 £'000 Group	31 August 2010 £'000 Group
<b>a) Analysis of charge / (credit) for the year</b>		
Current tax on income for the year (note 8b)	<u>-</u>	<u>-</u>
<i>Deferred tax:</i>		
Current year	153	111
Rate difference	(49)	(14)
Adjustment in respect of prior years	<u>124</u>	<u>-</u>
<b>Tax on loss on ordinary activities</b>	<u>228</u>	<u>97</u>

**UPP (Plymouth Three) Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 August 2011**

**8. Tax on loss on ordinary activities (continued)**

**b) Factors affecting current tax charge for the year**

The tax assessed for the year is higher (2010: higher) than the standard rate of corporation tax in the UK 27% (2010: 28%). The differences are explained below:

	<b>31 August 2011 £'000 Group</b>	31 August 2010 £'000 Group
Loss on ordinary activities before tax	<u>(174)</u>	<u>(295)</u>
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 27% (2010: 28%)	<b>(47)</b>	(83)
<i>Effects of:</i>		
Disallowable expenses	<b>54</b>	54
Capital allowances in excess of depreciation	<b>(148)</b>	(61)
Unutilised tax losses	<u>141</u>	<u>90</u>
<b>Current tax charge for the year (note 8a)</b>	<u>-</u>	<u>-</u>

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

A deferred tax asset of £1,450,000 (2010: £1,420,000) for the group and £1,450,000 (2010: £1,420,000) for the company in respect of available tax losses and other timing differences has not been recognised at 31 August 2010. This is due to there being no persuasive and reliable evidence available at this time of suitable profits to offset these losses.

No provision has been made for deferred tax on gains recognised on revaluing property to its market value. Such tax would become payable only if the property were sold without it being possible to claim rollover relief. The total amount unprovided is £4,242,000 (2010: £6,820,000). At present, it is not envisaged that any tax will become payable in the foreseeable future.

**9. Intangible fixed assets**

	<b>Group Positive Goodwill £'000</b>
<b>Cost</b>	
At 1 September 2010 and at 31 August 2011	<u>1,892</u>
<b>Amortisation</b>	
At 1 September 2010	(102)
Charge during the year	(36)
<b>At 31 August 2011</b>	<u>(138)</u>
<b>Net book value</b>	
<b>At 31 August 2011</b>	<u>1,754</u>
At 31 August 2010	<u>1,790</u>

Goodwill arose on the acquisition of the subsidiary undertakings during the year ended 31 August 2008.

**UPP (Plymouth Three) Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 August 2011**

**10. Tangible fixed assets**

	<b>Assets for use in operating leases Group £'000</b>	<b>Assets for use in operating leases Company £'000</b>
<b>Cost or valuation</b>		
At 1 September 2010	80,640	24,515
Adjustment to Cost	(4)	-
<b>At 31 August 2011</b>	<b>80,636</b>	<b>24,515</b>
<b>Depreciation</b>		
At 1 September 2010	(210)	(64)
Charge during the year	(225)	(68)
<b>At 31 August 2011</b>	<b>(435)</b>	<b>(132)</b>
<b>Net book value</b>		
<b>At 31 August 2011</b>	<b>80,201</b>	<b>24,383</b>
At 31 August 2010	80,430	24,451

Assets used in operating leases were independently valued by JLL (formerly King Sturge), Chartered Surveyors, on an existing use basis at 31 August 2010 with subsequent additions at cost. The valuation was completed as at 31 August 2010. JLL have confirmed that the value as at that date was £80,430,000.

The directors are not aware of any material change in value of the assets used in operating leases, therefore the valuation has not been updated from the JLL valuation of 2010.

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

	<b>Assets for use in operating leases Group 31 August 2011 £'000</b>	Assets for use in operating leases Group 31 August 2010 £'000	<b>Assets for use in operating leases Company 31 August 2011 £'000</b>	Assets for use in operating leases Company 31 August 2010 £'000
Cost	<b>63,210</b>	63,214	<b>21,651</b>	21,651
Depreciation	<b>(531)</b>	(355)	<b>(185)</b>	(125)
<b>Net book value</b>	<b>62,679</b>	62,859	<b>21,466</b>	21,526

# UPP (Plymouth Three) Limited

## Notes to the financial statements (continued)

### for the year ended 31 August 2011

#### 10. Tangible fixed assets (continued)

Fixed assets for the group include net finance costs up to the date of completion of £2,792,000 (2010: £2,792,000).

#### 11. Fixed asset investments

**£'000**

**Cost at 1 September 2010 and 31 August 2011**

**4,490**

The fixed asset investment represents 100% of the share capital of UPP (Plymouth) Limited, UPP (Plymouth Two) Limited and UPP James Square Plymouth Limited which were acquired on the 17 April 2008. This is stated at a cost of £4,490,000.

The company has an interest in the following companies which are registered in England and Wales:

Undertaking	Class of share capital held	Proportion held	Nature of business	Aggregate capital and reserves	Profit for the year
				£'000	£'000
UPP (Plymouth) Limited	Ordinary	100%	Property	9,182	144
UPP (Plymouth Two) Limited	Ordinary	100%	Property	6,323	158
UPP James Square Plymouth Limited	Ordinary	100%	Property	1,684	152

The fixed asset investment value above represents the carrying value of the company's investment in its subsidiary undertaking UPP (Plymouth) Limited, UPP (Plymouth Two) Limited and UPP James Square Plymouth Limited.

#### 12 Debtors: amounts falling due within one year

	31 August 2011 £'000	31 August 2011 £'000	31 August 2010 £'000	31 August 2010 £'000
	Group	Company	Group	Company
Trade debtors	133	133	87	87
Amounts due from subsidiary undertaking	-	38,083	-	38,628
VAT recoverable	-	-	4	-
Prepayments and accrued income	19	10	63	10
	<b>152</b>	<b>38,226</b>	<b>154</b>	<b>38,725</b>

The company has provided loans to its subsidiaries payable on demand. The company confirms it will continue to support its subsidiaries for a period of 12 months from the signing of these accounts.

**UPP (Plymouth Three) Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 August 2011**

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

	31 August 2011 £'000	31 August 2011 £'000	31 August 2010 £'000	31 August 2010 £'000
	Group	Company	Group	Company
Bank loans	14	14	2,525	2,525
Trade creditors	22	9	121	14
Amounts owed to group undertakings	335	256	172	83
Amounts owed to parent company	432	423	432	423
Accruals and deferred income	1,101	998	857	745
	<u>1,904</u>	<u>1,700</u>	<u>4,107</u>	<u>3,790</u>

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

	Year ended 31 August 2011 £'000	Year ended 31 August 2010 £'000
	Group and Company	Group and Company
Senior debt	62,879	62,898
Subordinated bridge debt	-	2,506
Secured subordinated loan notes	6,504	3,998
	<u>69,383</u>	<u>69,402</u>
Less: included in creditors amounts falling due within one year	(14)	(2,525)
	<u>69,369</u>	<u>66,877</u>

**Maturity of debt**

Repayable within one year or on demand	14	2,525
Repayable in more than one year but less than two years	62	14
Repayable in more than two years but less than five years	173	62,958
Repayable in more than five years	69,134	3,905
	<u>69,383</u>	<u>69,402</u>
Less: included in creditors amounts falling due within one year	(14)	(2,525)
	<u>69,369</u>	<u>66,877</u>

The loan amounts drawn down to date are for £62,966,000 of senior debt agreed facility of £62,966,000.

**UPP (Plymouth Three) Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 August 2011**

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

**Senior debt**

The senior debt is payable on 31 August 2013 with principal repayments having commenced on 31 May 2008. The interest rate is fixed via a swap at a rate of 5.78% plus a variable margin.

**Secured subordinated loan notes**

The subordinated loan notes are provided by UPP Group Limited in two tranches; the first of £3,998,010 were subscribed for on 16 April 2008, the second of £2,506,307 was subscribed on the 31 August 2011. The loan notes are subject to the same security as the senior debt facilities but are subordinated to the right of payment of senior debt providers.

The loan notes will be repaid in 2058 and are subject to an effective interest rate of 13.44%.

**15. Provisions for liabilities**

	<b>31 August 2011 £'000 Group</b>	<b>31 August 2011 £'000 Company</b>	31 August 2010 £'000 Group	31 August 2010 £'000 Company
<b>Deferred tax liability</b>				
At 1 September	390	-	293	-
Charged to profit and loss account	227	-	97	-
<b>At 31 August</b>	<b>617</b>	<b>-</b>	<b>390</b>	<b>-</b>
<b>Deferred tax</b>	<b>31 August 2011 £'000 Group</b>	<b>31 August 2011 £'000 Company</b>	31 August 2010 £'000 Group	31 August 2010 £'000 Company
The deferred tax liability consists of:				
Accelerated capital allowances	2,095	1,478	2,115	1,602
Deferred tax not recognised	1,450	1,450	1,420	1,420
Tax losses	(2,928)	(2,928)	(3,145)	(3,022)
<b>Total deferred tax liability</b>	<b>617</b>	<b>-</b>	<b>390</b>	<b>-</b>

**UPP (Plymouth Three) Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 August 2011**

**16. Called up share capital**

	<b>31 August 2011 £'000</b>	31 August 2010 £'000
<b>Authorised, allotted, called up and fully paid</b>		
698,801 A Ordinary shares of £1 each	<u><b>699</b></u>	<u>699</u>

**17. Reconciliation of shareholders' funds / (deficit) and movement on reserves**

**(a) Group**

	Share capital £'000	Revaluation Reserve £'000	Profit and loss account £'000	Total shareholders' funds £'000
At 1 September 2010	699	17,571	(4,621)	13,649
Transfer to profit and loss	-	(49)	49	-
Loss for the year	-	-	(174)	(174)
<b>At 31 August 2011</b>	<u><b>699</b></u>	<u><b>17,522</b></u>	<u><b>(4,746)</b></u>	<u><b>13,475</b></u>

**(b) Company**

	Share capital £'000	Revaluation Reserve £'000	Profit and loss account £'000	Total shareholders' deficit £'000
At 1 September 2010	699	2,925	(4,026)	(402)
Transfer to profit and loss	-	(8)	8	-
Loss for the year	-	-	(592)	(592)
<b>At 31 August 2011</b>	<u><b>699</b></u>	<u><b>2,917</b></u>	<u><b>(4,610)</b></u>	<u><b>(994)</b></u>



# UPP (Plymouth Three) Limited

## Notes to the financial statements (continued)

### for the year ended 31 August 2011



#### 18. Parent undertaking and controlling party

The company's immediate parent undertaking is UPP Group Limited. UPP Group Limited is a wholly owned subsidiary of UPP Group Holdings Limited. UPP Group Holdings Limited is owned by The Alma Mater Fund LP (acting through its general partner Barclays Alma Mater General Partner Limited), Barclays European Infrastructure Fund LP (acting through its general partner Barclays European Infrastructure Limited) and Barclays European Infrastructure Fund II LP (acting through its Barclays European Infrastructure II Limited). The Alma Mater Fund LP and Barclays Alma Mater General Partner Limited are collectively referred to as 'Alma Mater'.

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

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

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

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