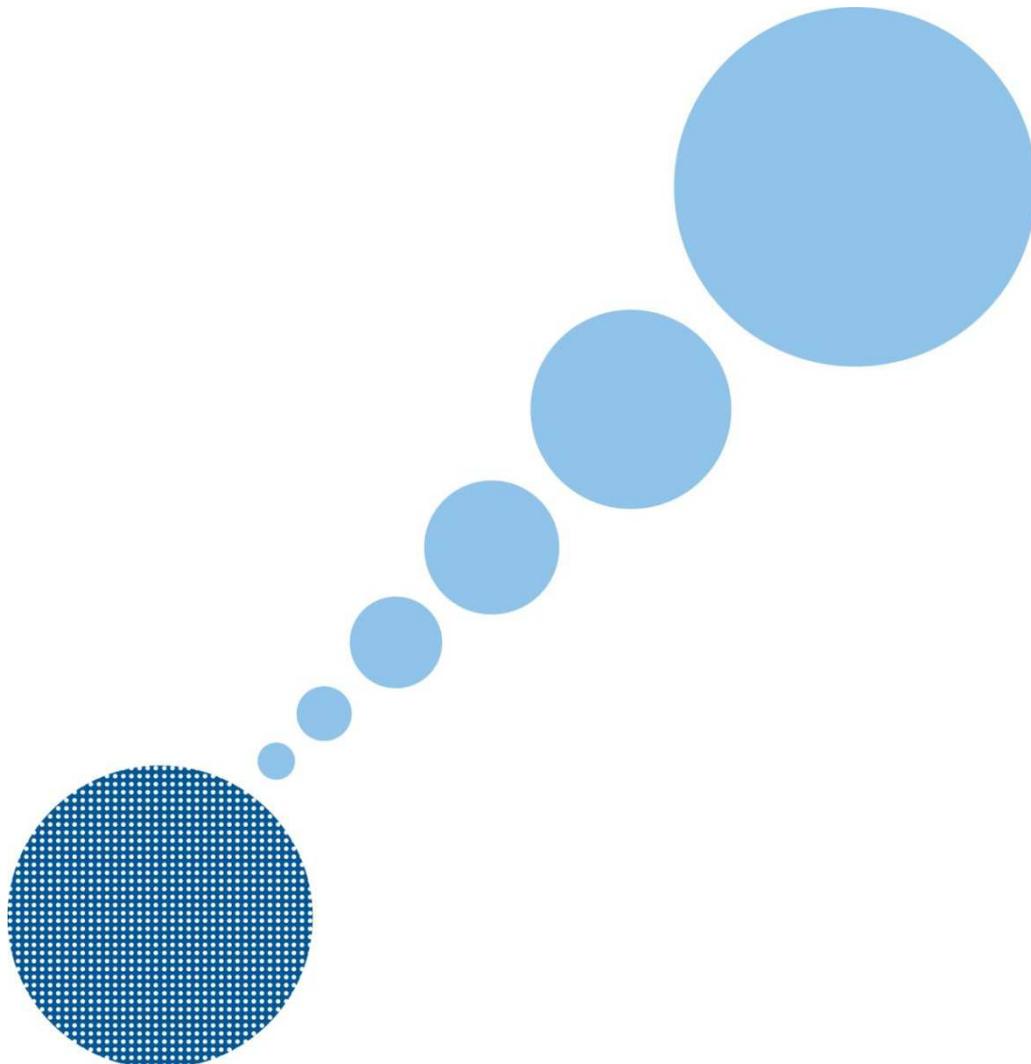


UPP Bond 1 Issuer plc

Provision of external audit services

Adding real value through our experience with real estate organisations with listed debt

October 2016



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Exceeding your expectations



We are extremely keen to work with UPP Bond 1 Issuer plc, providing a robust external audit service. We hope that this document demonstrates our enthusiasm, our capability and our capacity to work in partnership with you

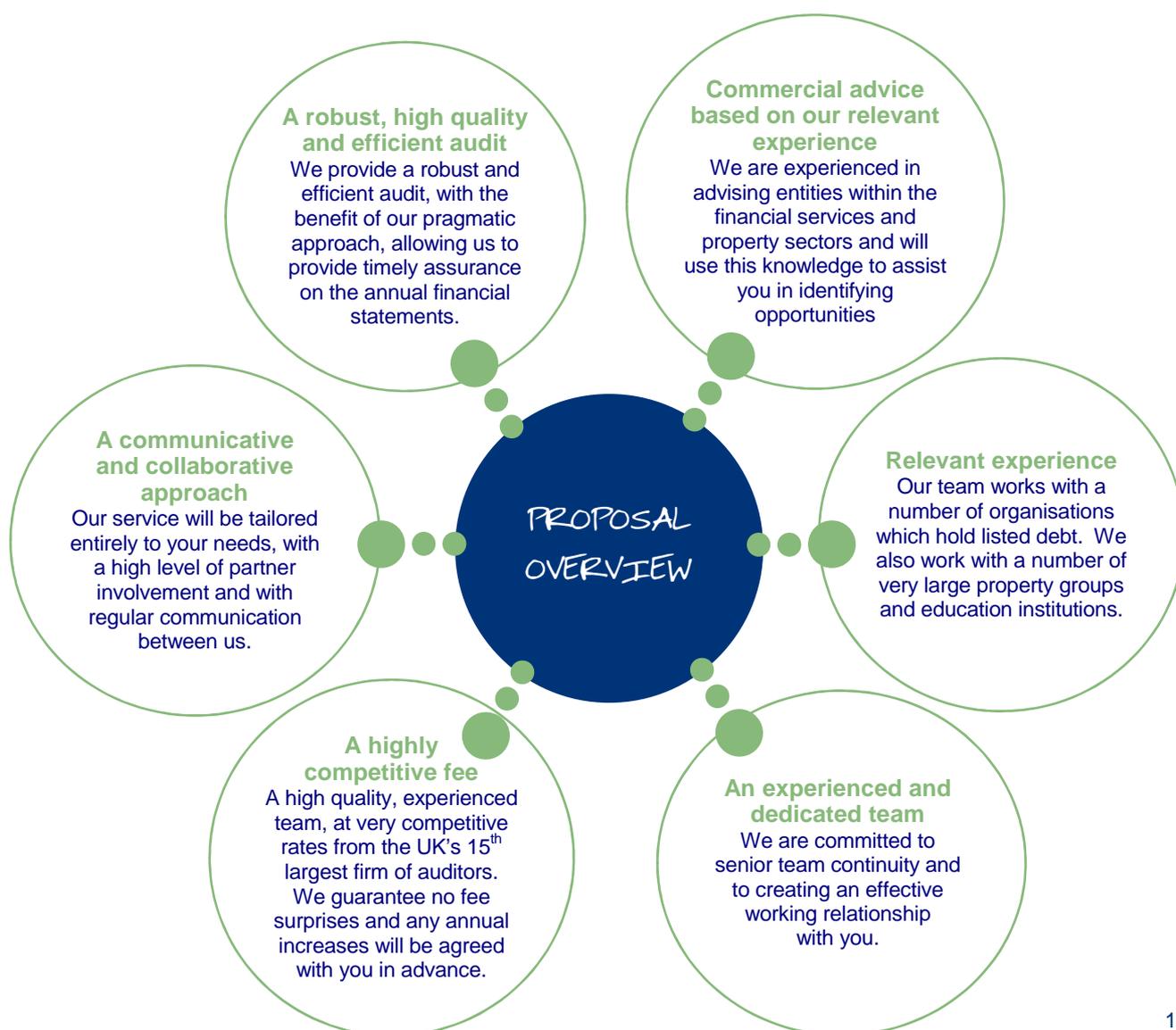
Subarna Banerjee, Audit partner

Thank you for inviting UHY Hacker Young (UHY) to quote for the provision of external annual audit services to UPP Bond 1 Issuer plc ('the company'). I believe our experience will be of real benefit to you, now and in the future.

We already undertake the audit of a number of entities with significant amounts of listed debt and are therefore familiar with the issues the company faces.

On a personal level, I very much welcome the opportunity to work with you and can assure you that you will have my full support and personal attention.

I am delighted to submit our proposal and I have summarised below the benefits we will bring to you.



Our audit model

Speed read...

- As one of the UK's top 15 firms of auditors, we guarantee an effective, timely and economic service
- We offer an efficient risk-based audit methodology, allowing us to focus our time on the important issues that may affect you
- We are familiar with the issues faced by companies with significant amounts of listed debt

As a company which has debt which is listed on the Irish Stock Exchange, we will assign an audit team to UPP Bond 1 Issuer plc which is experienced in supporting similar companies, allowing you the benefit of their combined knowledge.

We see our annual audit and assurance engagements as an opportunity to provide you with far more than merely statutory compliance. We will tailor the service to your needs, in order that you can use the process as a real opportunity to enhance and develop your business.

A key aspect of our audit approach is to underpin our management of the assignment with a comprehensive understanding of the company and the UPP group more broadly. In order to achieve this, our engagement team will invest time with your team to understand your accounting systems and controls and assess the risks faced by the company every year.

Our audit approach incorporates the steps outlined in the diagram below:



A tailored Audit Service Plan

Our approach is designed to ensure that you are fully aware of our respective obligations and the timing of each stage of the process. Before the audit commences, we will prepare an Audit Service Plan, which provides you with detailed information on our audit process, including:

- developments affecting the company;
- your requirements and our responses;
- significant audit, accounting and reporting risks and our intended approach to mitigate those risks;
- our audit approach, including a detailed timetable; and
- the information we require from your team.

Agreeing the scope and timing of audit procedures and ensuring all parties involved have a clear understanding of assigned responsibilities provides for a timely, cost-effective and cohesive audit. Communicating this assurance to those charged with governance is a vital element of our delivery.

In particular, our audit will include an independent assessment of the recoverability of the company's financial assets and ensure that any interest amounts charged are correct.

Dealing with issues as they arise

We aim to avoid surprises by anticipating matters which may present difficulties and by working with you and your team to overcome any

problems, as far as practicable, as they are identified.

During the audit process we would expect to be in regular contact with your team. If there are issues that require further discussion we would make arrangements to communicate with you as soon as possible to progress matters in a pragmatic and timely manner.

Prior to finalising the financial statements, we will also arrange for an audit closure meeting to discuss the results and ensure they were in accordance with all of our expectations. Any issues that have come to our attention during the audit which require further consideration will be highlighted.

A clear and concise report setting out our key findings

At the end of the audit we will submit a formal report of our significant audit findings. This report will form the basis for discussion with management and the Audit Committee.

The comprehensive focus of our reporting will provide the Board with a clear understanding of our audit process; will facilitate open dialogue; and communicate with you in a focused manner that enables the resolution of any remaining audit issues.

We will have regular discussions with you to highlight areas where we can help

For us, compliance is just the beginning. If you would find them useful, we will schedule meetings or calls during the year to highlight areas where we can help.



We appointed UHY as external auditors in 2014 and I would highly recommend them. Subarna and his team were very thorough and took a pragmatic approach to our audit which they completed efficiently and with courtesy at all times. I value the high quality and personal service they provide. ●●

Peter Hammond, Housing Securities Limited

Our approach to your key audit risks

We consider the following to be key audit matters which we will consider during the course of the audit.

Senior secured notes

These securities, which are listed on the Irish Stock Exchange are currently accounted for at amortised cost using the effective interest method as permitted by Financial Reporting Standard 102. We will review the accounting treatment to ensure that it continues to comply with this accounting standard. We will also ensure that the correct disclosures are made within the financial statements.

Derivative financial instruments

The company's derivative financial instruments (which are RPI swaps) are measured at fair value at each reporting date. We will undertake an independent valuation of these items to ensure they have been valued correctly. We will also ensure that these items, and the associated movements in value, are correctly reflected in the financial statements.

Recoverability of debts

The company has on-lent the proceeds of the debt issue to a number of entities within the UPP group in order for them to develop their portfolios and to operate. As auditors to UPP Bond 1 Issuer plc, we must be satisfied that all such debts are recoverable. We will therefore review the work undertaken by management to determine that

these debts are recoverable. This will include a thorough review of these entities' financial statements, forecasts and credit ratings.

Going concern

A key aspect of our audit will be to review the directors work surrounding the going concern assumption for UPP Bond 1 Issuer plc and the UPP group as a whole. We will need to be satisfied that the group is a going concern prior to our approval of the audit report.

Group reporting

UPP Bond 1 Issuer plc's accounts will be consolidated into the financial statements of UPP Group Holdings Limited which is audited by Grant Thornton. As Grant Thornton will be relying on our audit work, we will communicate with them directly insofar as the planning, conduct and completing the audit of UPP Bond 1 Issuer plc's accounts are concerned.

Timetable

For the audit of the financial statements for the year ended 31 August 2016, we understand that there is a relatively short timescale in terms of undertaking and completing the audit. We confirm we have the resource to be able to undertake the work within this timescale.

A cost effective service

Speed read....

- A high quality, experienced team at competitive rates for a Top 15 UK audit firm
- Commitment to absorbing the costs of developing a strong working relationship with you, including dealing with ad-hoc telephone enquiries or matters that can be resolved easily
- We will be transparent and honest about our fees and guarantee no surprises, agreeing any fee increases with you in advance.

Our fee proposal

Based on our current understanding, our fees, excluding VAT, will be as follows:

Service	£
Annual audit	13,750

Our fees for assisting with any additional ad hoc work would be a matter for discussion and agreement and would depend on the level and extent of assistance required. No work would be undertaken without prior agreement between both parties.

Fee assumptions

Our fees have been estimated based on the following assumptions:

- there will not be significant delays in obtaining the required audit information;
- the information presented will be complete and comprehensive;
- the underlying nature and business of the company will remain consistent;
- there will not be any limitations in our scope in acting as company auditors; and,
- there will not be any major disagreements on the accounting or financial reporting treatments in the financial statements.

Disbursements

All our fees are inclusive of any disbursements.

Additional work

We do not charge for ad-hoc telephone or email enquiries which can be resolved quickly without the need for much investigation.

Subsequent years

We would seek to increase our fees by reference to CPI inflation in subsequent years, unless a significant change to the level of operations required a review of the fee structure.

Your UHY Hacker Young team

speed read...

- Lead partner with significant experience of auditing property groups including those with listed debt
- A partner-led team experienced in working together to support clients which have similar activities to UPP Bond 1 Issuer plc
- Commitment to partner and staff continuity, and to creating an effective working relationship with you

A highly experienced team

Our service offering will be led by Subarna Banerjee. Subarna also audits a number of organisations which have debt which is listed on the London Stock Exchange. The total amount of debt for these organisations is £540m. Subarna also audits a number of property groups, one of

which has net assets of £1bn. Finally, Subarna has worked within the university sector for many years in an auditing and advisory role. We believe Subarna’s experience is ideally suited to the requirements of the company and the UPP group more broadly.

Subarna Banerjee – Client engagement partner



Subarna will have overarching responsibility for the provision of our service to UPP Bond 1 Issuer plc.

Subarna will be the client engagement partner for UPP Bond 1 Issuer plc, and will have overall responsibility for the work undertaken for you, and for the quality and consistency of our service.

Subarna has more than 20 years’ experience of managing audit assignments of varying sizes in a number of sectors, including charities, housing providers and universities. Subarna also audits 4 housing borrowing clubs which contain listed debt and five AIM listed companies.

Subarna is familiar with reporting under UK GAAP, IFRS and FRS102.

Finally, Subarna is Chair of our national charity and not-for profit group.

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Roles and responsibilities

As the client partner, Subarna will have full responsibility for the conduct and quality of the engagement. Subarna will monitor the status of the delivery of our service to the company closely and will provide the critical communication link between the UHY team and the company.

Creating an effective working relationship with your team

Subarna and his team will work closely with UPP to develop a strong working relationship.

Ultimately, we like to think of ourselves as a sounding board for our clients and are happy to support you where we can.

Continuity of staff

We recognise that a lack of continuity of staff is irritating for you and your team and results in unnecessary duplication of effort. We will, therefore, ensure that the audit team assigned to the company will remain consistent. We would also seek to ensure that there is continuity year on year amongst the audit team members. Our senior team managing the assignment and relationship will remain constant year on year.



UHY have a genuine interest in our business and a willingness to work quickly and precisely and on point.



David Lewis, Chief Executive, Sunseeker

UHY's quality assurance

Speed read...

- A robust, high quality audit
- UHY is a member of the IFAC Forum of Firms, an additional assurance of our high quality standards
- Our ISQC1 compliance is monitored annually

You can be assured of receiving a robust, high quality audit from UHY Hacker Young. Our comprehensive quality standards are set at international, national and local level.

The following summarises the quality control procedures governing the provision of our services to you:

International network

Our Firm's international network is a member of the IFAC Forum of Firms – an organisation dedicated to consistent and high quality standards of financial reporting and auditing practices worldwide. In compliance with its Forum of Firms obligations the international network conducts, to the extent not prohibited by national regulation, regular globally coordinated internal quality assurance reviews.

National network

The UK network operates a system of peer review which has the objective of ensuring that the audit practices of each member firm are reviewed once every three years.

The Firm

Quality control standards for audit work are prescribed for this Firm as for every other by the following key obligation: ISQC1 Quality Control for Firms that perform Audits and Reviews of Historical Financial Information and other Assurance and Related Services Engagements, ISA220 Quality Control for Audits of Historical Financial Information and the Audit Regulations issued by the three

Chartered Institutes of Accountants in the UK and Ireland. The Firm's audit quality control procedures are managed and monitored to meet these requirements and accordingly comprise the following principal components:

- acceptance by the Firm's Executive Committee of its responsibility for audit quality within the Firm;
- ethical standards in compliance with the IFAC, ICAEW and APB codes;
- a requirement that all client acceptance decisions are reviewed by a second partner;
- structured recruitment and appraisal processes for all professional staff;
- a software-based audit methodology that provides a framework within which engagement teams can create tailored audit approaches to individual clients;
- an independent technical department to facilitate consultation on difficult or contentious matters;
- detailed policies and procedures for the conduct of engagement quality control reviews ("hot reviews") on public interest audit assignments prior to their completion, and
- an annual monitoring of the Firm's audit work and methods in compliance with ISQC1 and the Audit Regulations. At least one assignment of every responsible individual is examined as part of the monitoring process each year.

Capability, capacity and informed expertise

Speed read...

- A leading UK firm of auditors with a strong reputation in the business and financial communities
- Significant experience supporting a varied portfolio of clients with complex group structures
- We will spend time getting to know you to ensure our service is tailored to meet your needs

Our London office and UK Group

The UHY Hacker Young Group is a Top 15 network of chartered accountants, with over 100 partners and 500 professional staff working from 27 locations around the country. 2015 was our 90th year of operations.

The London office is the largest member firm within the Group, with 23 partners and 200 staff, and with a strong reputation in the business and financial communities.

We provide a wide range of accounting, tax and business advisory services, and have established specialisms with the capital markets, litigation support, corporate finance, turnaround and recovery, VAT planning, interim and project management and financial services.

We have a broad range of clients, including:

- fully listed and AIM companies
- family and owner managed businesses
- international businesses with UK operations
- UK businesses with overseas operations
- not-for-profit organisations
- entities regulated for investment business (FCA)
- pension schemes
- private individuals and their families

A large proportion of our clients have also been with our firm from business start-up positions all the way through to us helping them achieve their public listings. We have grown with and around our clients.

We are currently auditors to 30 publicly listed companies across the UK's capital markets. Our experience in auditing capital markets listed companies has led us to achieve rankings, in the ARL Corporate Advisers Rankings guide, well above our league table ranking. Our latest rankings are as follows:

- **9th by total number of stock market clients**
- **9th by total number of AIM clients**

We have also acted as reporting accountants to many more companies, taking them through their Initial Public Offering and helping many to raise secondary funds further down the line.

Our international UHY network

UHY in the UK is a founder member of UHY internationally. The network was founded in the UK and US 30 years ago, to support clients with international interests, but has since expanded to encompass more than 7,600 people working in 300 offices in 92 countries.

UHY is a business focused network of strong national practices which offers a real alternative to the Big 4 firms, especially to middle-market companies that seek enhanced responsiveness at reasonable costs.

Our key competitive advantage is the depth and strength of our network, combined with the personal service and capability of our national practices. We have developed solid working relationships between our firms and know each

other as people through meeting and working regularly together.

Our clients have noted that our structure and service commitment allow us to provide national expertise with unified, cross-border teams, sharing clients' aspirations and delivering customised and timely services to help them make the right decisions over the short and long-term.

Providing you with informed expertise

We strongly believe that every client needs an adviser who understands the business and its future strategy and objectives. We believe that this understanding only comes from experience. Our knowledge of clients with similar operations and reporting requirements to UPP Bond 1 Issuer plc puts us in the best position to offer you a service that is specifically tailored to your needs.

Making it our business to understand yours

We know that each business is different. As a valued client of UHY, we will make it our business to understand the company, your objectives and the issues impacting upon you.

Subarna and his team will spend time getting to know you and familiarising themselves with your individual requirements, to ensure we are in the best position to offer you a service that is specifically tailored to meet your needs.

No charge will be made for this as we regard the time which will be spent on this exercise as the foundation of an ongoing relationship.

The learning process does not stop there

Understanding your business is an ongoing process. By maintaining a close, long standing relationship, you will benefit from our genuine understanding of the issues affecting your business as well as our awareness of the commercial parameters affecting your sector.

Choosing UHY

We recognise that there are several key factors which are likely to drive your decision making process when selecting your advisers. We have many long-standing clients from a variety of backgrounds and a strong reputation for integrity and reliability in the financial community. Our philosophy of responsiveness and client service is one that sets us apart from other firms. From the quality of our people, to the value-added benefits we offer and the measurable results we provide, we are committed to providing UPP Bond 1 Issuer plc with the highest level of service.

While we are an ambitious and growing firm we can guarantee that our high service levels remain unchanged. We pride ourselves on our partner-led approach to all of our client engagements and in providing you with an attentive, personal service. We combine traditional values with forward-thinking, and we believe this combination is the hallmark of real quality. Whether complex or day-to-day, local, national or international, we will tailor our services and shape them to fit your needs; because ultimately we are focused on you and helping you prosper.