upp
University Partnerships Programme

Registered No: 05016028

UPP Group Holdings Limited
Report and consolidated financial statements

For the year ended 31 August 2020

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Contents

Directors and advisors

Directors	E Hewitt H Huizing I Frolova R McClatchey A Wilkie H Gervaise-Jones A Percival M Swindlehurst P Milner J Hu
Auditor	KPMG LLP 15 Canada Square London E14 5GL
Registered office	1st Floor 12 Arthur Street London EC4R 9AB
Registered No	05016028

Strategic report for the year ended 31 August 2020

The directors present their report for the year ended 31 August 2020.

Review of the business

UPP Group Holdings Limited ('the Company') acts as the holding company for UPP Group Holdings Limited group ('the Group'). The Group's principal activities during the year continue to be the development, funding, construction and operation (including facilities management) of student accommodation under the University Partnerships Programme ('UPP').

Operational performance

During the year, the Group has continued to grow its core business - delivering new partnerships with existing partners and increasing the number of beds under operation.

The principal activities of the Group during the year continued to be the design, financing, development and operation of student accommodation. During the year the Group saw an increase in rental income of £14 million (8 per cent) to £186 million, with new rooms becoming operational and contractual rental increases being applied across the portfolio. EBITDA increased by £6 million (7 per cent) to £94 million. The operational performance of the Group remained strong, achieving 99.1% per cent occupancy for the financial year end 31 August 2020 and 96.4% per cent occupancy on available rooms at the start of the financial year ending 31 August 2021.

In September 2019, the first student residents moved into the University of London's Eleanor Rosa House in Stratford, London. Forward funded and now operated by UPP, the scheme was constructed by the Watkin Jones Group. The 33-floor scheme adds an additional 511 study bedrooms and associated communal space to the University's residential portfolio. The scheme was officially opened by Her Royal Highness The Princess Royal, Chancellor of the University of London, in January 2020.

September also saw student residents occupying the final phases of the brand-new Westfield Court residences developed in partnership with the University of Hull. Designed, built, and financed by the Group, the nine-block development will be operated by UPP over the 51-year concession. The first phase of the scheme, totalling 478 rooms, was completed ahead of the 2018 academic term, with the remaining 984 rooms becoming operational in September 2019. The scheme provides a total of 1,462 rooms, with a total investment value of over £155 million. Successful completion of Westfield Court, which had a total construction value of over £97 million, means that UPP now operates 1,750 rooms across the campus, including 288 rooms at the Taylor Court residences.

In early December 2019, UPP reached financial close on a further deal with Swansea University, St Modwen Developments and Swan Global LLP. The transaction, to a value of £43 million, saw UPP acquire the freehold of 411 rooms at Bay Campus, where UPP is now delivering a full facilities management service.

Under the arrangement with Swan Global Education LLP - a joint venture between Swansea University and the international pathway course provider Navitas – UPP will benefit from an underwrite of 100% of the rental and utilities costs on the 411 rooms for the first ten years. Navitas will source international students to undertake pathway courses of varying lengths at the purpose-built college facility on the Bay Campus and residential accommodation will be provided via the 411 student residences. Upon conclusion of the initial ten-year agreement, a further arrangement with Navitas could be negotiated – otherwise the accommodation is set to revert to a traditional offering to higher education students through the University.

The deal takes the number of rooms operated by UPP on the Bay Campus to 2,432. The acquisition includes £38.4 million of index-linked debt financing, with a debt tenor of circa 45 years. UPP Group Holdings Limited invested £4.7 million of subordinated debt and equity. The deal marked UPP's first bilateral financing with Aberdeen Standard Investments and continues to demonstrate the attractiveness of the UK higher education sector to investors as well as the credit positive elements of the UPP business model.

Also, in December, UPP won its first private residential contract in a £1 million deal to deliver a three-year, full facilities management service to Imperial College London. In what was a first for UPP, the private tender appointment saw UPP Residential Services take over the operation of 192 one, two and three-bedroom apartments on the University's White City Campus in Hammersmith and Fulham. The apartments include 59 units for the University's key workers.

In January 2020, the Group announced appointment of Elaine Hewitt as its new Chief Executive Officer, succeeding Richard Bienfait who left the business at the end of the same month. Elaine joined the business in April 2020 from NHS Property Services Limited, where she had been Chief Executive Officer since 2015. In this role she was responsible for overseeing a £3 billion asset portfolio, some 4,000 properties, 5,000 employees and an annual income of more than £700 million. Before NHS Property Services Limited, she was Group Property Director at BT Group PLC and Crown Representative in the Cabinet Office covering Property and Facilities Management across Government.

Since joining UPP in April, Elaine have been struck by the hard work and dedication of all our teams across the country and, in particular, this has been demonstrated by their response to the impact of the COVID-19 pandemic. As with many other industry sectors, the impact on UK higher education has been significant, with universities ordered to close during the first lockdown and many students choosing to return home rather than remain in residence.

As the severity of the crisis escalated, we established an Infectious Diseases Working Group (IDWG), bringing together key personnel to co-ordinate UPP's response across all aspects of our business and providing advice and resources for our teams. We worked together with our partners to ensure accommodation continued to be available to students who remained and that it was operating safely and effectively, following the advice from Public Health England as it evolved.

For the academic year 2020/21, the combined total of nominations secured, and Student Residences Agreements in place with students holding Conditional and Unconditional Firm offers, represents in excess of 97% occupancy across our portfolio.

In April 2020, UPP Bond 1 Issuer PLC issued a statement in relation to a senior debt downgrade, noting Standard and Poor's Global Ratings (S&P) decision to revise downwards the current credit rating on the senior secured debt issued by the Group. The ratings on the £307.1 million of senior secured fixed rate notes due 28 February 2040; the £75.0 million of senior secured index-linked notes due 31 August 2047; and the £149.7 million of index-linked notes due 31 August 2049 have moved to BBB+ from A-. The rating outlook for the notes, issued under the £5.0 billion multicurrency issuance programme, had been revised from stable to negative.

In a statement in relation to this decision published 24 April 2020, the Group noted that downgrades had taken place across many ratings in response to the COVID-19 crisis. It also recognised that there was increased uncertainty with respect to the beginning of the academic year 2020/21, relating to the timing of the relaxation of social distancing and international travel restrictions.

However, the Group said that it believed that the decision to revise S&P's base case, and downgrade the credit rating as a result, reflected an unduly conservative view of short-term risk and that it saw no basis for negative revisions to long-term assumptions.

In terms of the short-term risk to occupancy, the Group's view that a combination of mitigating activity undertaken by Government and the sector; the capacity of universities to refocus their recruitment; and the credit positive elements of the Group's business model, had the capacity to significantly ameliorate risks to occupancy has been borne out.

With respect to the reduction of the long-term base-case occupancy assumption for the assets, the Group said it was of the view that this was not supported by the projected market outlook. This view is based on considerations including the fact that the UPP Bond 1 portfolio has achieved in excess of 99.0% occupancy each year since its inception, with an average of 99.7% over the last six years. This is in excess of S&P's previous base case assumption of 98.0% and contrasts with the decision to assume 96.0% occupancy moving forward.

During August 2020, Moody's Investors Service held a Ratings Committee following a review of UPP Bond 1 Issuer PLC. Having held the rating at "Baa1 under review for downgrade" since an initial ratings committee in May 2020, the rating was reaffirmed as Baa1, stable outlook.

This reaffirmation reflected the strength of the contractual arrangements between the partners with Term Three rent payments being paid in full; progress made on the 2020/21 lettings position; and; that the Projected Debt Service Cover Ratio based on lettings at the time would be in excess of 1.20x (and comfortably passes the distribution lock-up test of 1.15x).

In summary, the position of UPP remains strong; its business model is robust and it is well positioned to continue to deliver strong commercial operational performance from a portfolio of assets that are central to the operations of its university partners.

Shortly after the financial year end, in September 2020, UPP celebrated the successful practical completion of the construction and handover of two new build schemes at long-standing partner the University of Exeter. Construction began on the £41.4 million Spreytonway and Moberly redevelopments in June 2018, with the new, high-quality, modern developments providing an affordable offer to students and increasing the number of available rooms to 381.

Meanwhile, at the close of the financial year, UPP also delivered the first phase of its £139.7 million development on the University's East Park campus. This delivered a further 604 high-quality bedrooms and represents the first part of what is a 1,182-bedroom development - representing the largest build of on-campus accommodation at the University since 2012. Construction commenced in January 2019, with the first phase of rooms becoming operational in September 2020 and the remaining rooms due to reach practical completion in time for September 2021. On final completion, UPP will operate over 4,000 rooms on the University's campus.

In February, as the severity of the crisis escalated, we established an Infectious Diseases Working Group (IDWG), bringing together key personnel to co-ordinate UPP's response across all aspects of our business and providing advice and resources for our teams. We worked together with our partners to ensure accommodation remained available to students who remained and that it was operating safely and effectively, following the advice from Public Health England as it evolved.

During the period of lockdown a large majority of universities made the decision to release students from their accommodation contracts. As a result of the credit and void provisions of the contracts, the Group continued to receive all revenues due in respect of the remainder of the academic year.

All of our accommodation continued to be available to students and our teams maintained safe and secure accommodation for nearly 9,000 students who remained on campus at the peak of the outbreak. We also committed to supporting our university partners in ensuring students were able to return to COVID-19 Secure accommodation at the start of the academic year 2020/21.

In addition, throughout the pandemic we supported the self-isolation of students, ensuring access to Mental Health First Aid-trained teams and investing in technology - moving our student experience activities online.

For the academic year 2020/21 the Group can confirm that the combined total of nominations secured, and Student Residences Agreements in place with students holding Conditional and Unconditional Firm offers, represent a portfolio in excess of 97% occupancy.

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After the financial year end, in October 2020, UPP REIT Holdings Limited, the parent company of UPP Group Holdings Limited, announced that Craig Bryant, Group Legal Director, and Mike Eady, Group Health, Safety and Environment Director, had left UPP as part of a restructure of the Group's Executive Leadership Team. It confirmed that the responsibilities of the Group Legal Director and Group Health, Safety and Environment Director will be assumed by the Chief Financial Officer, Managing Director Asset Management and Managing Director Commercial as part of a streamlined Executive Leadership Team.

The UPP Foundation, UPP's independent charity, has continued its mission to tackle the biggest issues facing the higher education sector across the UK – awarding grants to universities, charities and other higher education bodies. This year the UPP Foundation invested £100,000 in five pilot projects selected by Trustees on the basis of their overall quality, synergy with the UPP Foundation's strategic themes, commitment to partnership, innovative approach and potential for sector-wide impact.

Further to a roundtable hosted by the UPP Foundation and attended by a number of experts from charities, universities, schools, and others, it also published a report outlining how young people can be supported during and after the global Covid-19 pandemic.

General Overview

Despite the considerable impact on UK higher education ('HE') wrought by the COVID-19 pandemic and the impact of Brexit, the sector has maintained its position as the leading global destination for students after the USA. UCAS applicant data issued following the 30 June 2020 main scheme deadline identifies continued growth in demand of 2% overall or the equivalent of more than 14,000 extra applicants on the previous cycle.

This deadline saw applications from approximately 653,000 prospective students. Applicant numbers from the UK were up by 2%, a 7,980 increase on the 2019/20 cycle, however there was a decline in applicants from EU countries of 2%, the equivalent of 1,000 students. The number of applicants from outside the EU witnessed strong growth at 10%, an increase of 7,790 new prospective international students. The data also identified the continuing increase in the rate of application from 18 year olds. This cohort has seen year on year increases over the last decade from 34.7% in 2012 to 38.9% in 2019. This figure increased again during the 2020 cycle to 40.5% of the 18 year old population. This is positive news for the Group as this is by far the largest demand cohort for its accommodation.

One of the many impacts of the COVID-19 pandemic was the disruption of annual exam cycles. The Government took the decision during the latter part of August 2020 to revert to centre assessment grades, as the method for agreeing results. This led to a very busy and volatile annual Clearing process and had the effect of incentivising more students to apply directly through this route.

Subsequently, on the basis of UCAS sector level clearing updates following Clearing, data suggested that there had been an increase in placed applicants overall of 4% to 508,090 to date in comparison to last year at the same stage of the cycle.

Institutions classified as high tariff have seen placed applicant numbers increase by 11% to 169,570, with medium tariff universities growing by 1%. The number of placed applicants at lower tariff institutions remained at the same level. There was an increase in both UK and non-EU placed applicants of 4% and 7% respectively in comparison to last year at this stage, whilst there was a 5% decrease in those from EU countries.

Those placed to their firm choice institution were also up by 5% to 397,990 and represent approximately two-thirds of those placed. The increase in those being placed in their firm choice impacts other routes such as insurance placings and clearing, as less students require a second option at that stage. Insurance placings were down 24%. Placed applicants seeking to defer were up by 8% to 27,630, however, this represents only 2,000 students. The composition of this group has been driven by an increase in UK applicants of 5% and an increase in international students of 89% year on year.

Early indications of demand for the academic term 2021/22 appear encouraging. The first comparable data point for the coming academic year, namely the 15 October deadline, identifies an overall increase of 12% in undergraduate applicants seeking to study at Oxford, Cambridge or medicine, dentistry or veterinary courses. In terms of domicile, applicant numbers from the UK increase by 14%, the equivalent of more than 6,500 extra students year on year, whereas EU applicant numbers fell by 19% or 1,260 students. In terms of academic demand, however, this fall was more than compensated for by an increase in international students. Applicant numbers rose by 20% or circa 3,000 students to a total of 17,510 by the 15 October deadline.

The exit of the United Kingdom from the European Union (EU), which took place on 31 December 2020, continues to cast uncertainty across numerous sectors of the economy. Whilst there have been some concerns how this might impact EU and International student enrolment, demand modelling by the Higher Education Policy Institute and London Economics suggests any fall in EU numbers will be largely offset by an increase in the population of International students; an estimated net fall in the full time student population of 0.6 per cent. Notwithstanding, the Board remains cognisant of the attendant risks relating to this process and will continue to actively manage these where they arise.

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 Company 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 in note 32. The directors review and agree policies for managing each of these risks. These policies have remained unchanged from the previous year.

Key financial performance indicators

The key financial performance indicators during the year were as follows:

	2019/2020	Restated 2018/2019
	£'000	£'000
Turnover	**254,302**	258,068
EBITDA (Earnings before interest, tax, amortisation and depreciation)	**93,904**	88,153
Loss after tax	**(2,096)**	(8,011)
Equity shareholders' funds	**119,929**	38,656

Key drivers behind the movements in key financial performance indicators above are:

- Like-for-like turnover decreased by 1% during the year primarily due decrease in construction services by £16,297,000 offset by increase in student accommodation rental income by £12,669,000).
- The increase in EBITDA during the year was caused mainly by higher rental income and increase in finance receivable from service concession arrangements.

Reconciliation of EBITDA to gross profit:

	2019/2020	2018/2019
	£'000	£'000
Gross profit	**124,701**	114,396
Operating expenses	**(48,994)**	(39,440)
Amortisation and depreciation	**18,197**	13,198
EBITDA	**93,904**	88,153

Employees

Our commitment to our strategy has ensured that the Group continues to grow but more importantly continues to deliver excellent services to the students of our partners. We remain committed to investing in and looking after our people, who now number nearly 1,000 across the UK.

Inherent within our people strategy and its implementation is a commitment to ensure the highest standards of inclusion, equality and diversity. We aim to provide an excellent experience for students and colleagues, one which embodies equality of treatment and inclusion, and equips our teams to be socially purposeful professionals and citizens. This includes providing the opportunity for our employees both to take volunteering days and for the charities of their choice to benefit from match funding via the UPP Foundation – the independent charity established by UPP in 2016.

Employee engagement is critical to the performance of the business and we have in place numerous initiatives to ensure ongoing two-way conversations with our teams. These include monthly, all-employee video conference calls with the CEO and wider leadership team where any questions or issues faced by our teams can be raised. We also provide news, information and features to all employees through our in-house magazine, Speak UPP, and weekly emails.

Every year we conduct Speak Out, our Group-wide employee engagement survey, which helps us understand what we are doing well as an organisation, together with what and how we need to improve. We use these valuable insights to further improve our culture and working environment, as well as to ultimately build an even better UPP for their future.

We hold 'We invest in people' Silver Accreditation and are committed to the highest standards of inclusion, equality and diversity. We support the Living Wage Foundation rates of pay and invest in our people through training and development.

On behalf of the Board

Henry Gervaise-Jones
Director
17 February 2021

UPP Group Holdings Limited
Directors' report
for the year ended 31 August 2020

The directors present their report for the year ended 31 August 2020.

Financial risk management objectives and policies

The Group's financial risk management objectives and policies are of strategic significance and are therefore detailed in the Strategic Report.

Going concern

Notwithstanding a consolidated loss of £2,096k for the year ended 31 August 2020, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

In preparing these financial statements, the Directors have considered the impacts of the COVID-19 pandemic on the ability of the Group to continue as a going concern by preparing a cash flow forecast through to 31 August 2022, modelling a severe but plausible downside scenario which demonstrates that the Group and each individual subsidiary of the Group are expected to have sufficient liquidity to meet its liabilities as they fall due over the period of 12 months from the date of approval of the financial statements.

A key feature of the Group's contractual arrangements is that University counterparties bear the risk on in-year rental income once students have contracted for the rooms. The effectiveness of this contractual protection was confirmed through the challenging circumstances that arose during the third term when multiple partners chose to waive rents for students that departed early but continued to meet their payment obligations to the Group.

For the 2020/21 academic year the group has secured sufficient lettings to remain compliant with funding covenants. The Directors anticipate that the Group's University counterparties will meet their payment obligations as they fall due even in the severe plausible downside and, as a result, revenue risk for the 2020/21 year remains low. The Directors consider that the Group's costs are reasonably controllable and while there are likely to be increased costs arising from changes to the operating practices to respond to Covid-19, these may be offset by cost savings elsewhere and are not sufficient to threaten the viability of the business.

The Directors believe that the fundamentals of the market for student accommodation remain supportive to the long-term success of the business and while Covid-19 and similar risks have the potential to impact upon future years, the Group, universities, the Government and the public are likely to be better prepared for such events such that the impact is less severe than it was in 2020.

On this basis, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being a period of not less than twelve months from the date of approval of these financial statements, and therefore have prepared the financial statements on a going concern basis.

Dividend

The directors do not propose the payment of a dividend (2019: £nil).

Directors and their interests

The directors holding office during the year ended 31 August 2020 and subsequently are:

R Bienfait	(resigned on 31 January 2020)
I Frolova	
H Gervaise-Jones	
E Hewitt	(appointed on 7 April 2020)
J Hu	
H Huizing	
R McClatchey	
P Milner	
A Percival	
M Swindlehurst	
A Wilkie	

At 31 August 2020 two of the Company's directors held a beneficial interest in the 'B' ordinary shares of the wholly owned subsidiary Company, UPP Group Limited. Also another six Company's directors and three other directors held a beneficial interest in the 'C' ordinary shares of the Company. These shares hold no dividend or voting rights.

At 31 August 2020, other than the interest noted above, none of the directors had any beneficial interests in the shares of the Company or in any of the subsidiary companies.

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report, the Strategic 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company and Group for that period.

In preparing these financial statements, the directors are required to:

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Group's financial statements 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;
- assess the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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.

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the auditor is 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, www.upp-ltd.com/investors . Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

On behalf of the Board

Henry Gervaise-Jones
Director
17 February 2021

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

Opinion

We have audited the financial statements of UPP Group Holdings Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 August 2020 which comprise Consolidated Profit and Loss Account, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheet, the Consolidated and Company Statements of Changes in Equity, the Consolidated Statement of Cash Flows and related notes, including the accounting policies in note 2.

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 2020 and of the group's loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the company or to cease their operations, and as they have concluded that the group and the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge.

Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Report of the independent auditor to the members of UPP Group Holdings Limited (continued)

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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

- 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

Craig Steven-Jennings (Senior statutory auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
17 February 2021

UPP Group Holdings Limited
Group income statement
for the year ended 31 August 2020

	Notes	Year ended 31 August 2020 £'000	Restated* Year ended 31 August 2019 £'000
Turnover	5	**254,302**	258,068
Cost of sales		**(129,601)**	(143,673)
Gross profit		**124,701**	114,395
Operating expenses		**(48,994)**	(39,440)
Operating profit	9	**75,707**	74,955
Interest receivable & similar income	10	**15,098**	4,199
Interest payable & similar charges:	11		
Senior financing interest		**(71,918)**	(69,092)
Other interest payable & similar charges		**(20,910)**	(19,524)
		(92,828)	(88,616)
Loss on ordinary activities before taxation		**(2,023)**	(9,462)
Tax on loss on ordinary activities	12	**(73)**	1,451
Loss for the financial year		**(2,096)**	(8,011)
Loss for the financial year attributable to:			
Non-controlling interests		**(734)**	(710)
Owners of the parent		**(1,362)**	(7,301)
Loss for the financial year		**(2,096)**	(8,011)

The above results all relate to continuing operations.

*Restated – during the financial year the Group has made several restatements of prior period. For further information refer to note 4.

The notes on pages 23 to 62 form part of these financial statements.

UPP Group Holdings Limited
Group statement of comprehensive income for the year ended 31 August 2020

	Year ended 31 August 2020 £'000	Restated* Year ended 31 August 2019 £'000
Loss for the financial year	**(2,096)**	(8,012)
Revaluation of principal asset	**63,140**	7,566
Deferred tax on revaluation of principal assets	**-**	(606)
Fair value movements on swaps	**26,834**	(48,536)
Actuarial gain relating to pension scheme	**(238)**	(323)
Total other comprehensive income/(loss) for the year	**89,736**	(41,899)
Total comprehensive income/(loss) for the year	**87,640**	(49,911)
Total comprehensive income/(loss) for the year attributable to:		
Non-controlling interests	**6,349**	(1,462)
Owners of the parent	**81,291**	(48,449)
	87,640	(49,911)

*Restated – during the financial year the Group has made several restatements of prior period. For further information refer to note 4.

The notes on pages 23 to 62 form part of these financial statements.

UPP Group Holdings Limited
Group statement of financial position as at 31 August 2020

	Notes	**31 August 2020 £'000**	Restated* 31 August 2019 £'000	Restated* 1 September 2018 £'000
Non-current assets				
Goodwill & other assets	13	**31,852**	33,094	34,163
Service concession arrangements	14	**450,278**	383,183	260,184
Tangible assets	15	**1,530,267**	1,474,805	1,473,935
		2,012,397	1,891,082	1,768,282
Current assets				
Debtors subject to non-recourse finance	4,17	**146,568**	108,598	107,041
Debtors: amounts falling due within one year	4,18	**22,574**	19,640	14,063
Debtors: amounts falling due after one year	4,19	**965**	3,474	4,831
Cash at bank and in hand	29	**188,075**	231,339	207,781
		358,182	363,051	333,716
Creditors: amounts falling due within one year	20	**(90,809)**	(98,926)	(116,537)
Net current assets		**267,373**	264,125	217,179
Total assets less current liabilities		**2,279,770**	2,155,207	1,985,461
Creditors: amounts falling due after more than one year	4,21	**(2,145,011)**	(2,108,484)	(1,904,536)
Provisions for liabilities		**(215)**	(143)	(126)
Net assets excluding pension liability		**134,544**	46,580	80,799
Pension liability	24	**(2,177)**	(1,882)	(1,495)
Net assets		**132,367**	44,698	79,304

*Restated – during the financial year the Group has made several restatements of prior period. For further information refer to note 4.

UPP Group Holdings Limited
Group statement of financial position (continued) as at 31 August 2020

	Notes	31 August 2020 £'000	Restated* 31 August 2019 £'000	Restated* 31 August 2018 £'000
Share capital and reserves				
Called up share capital	22	**7,477**	7,477	7,328
Share premium account	23	**260,750**	260,721	245,675
Other reserve	23	**46,220**	46,220	46,577
Capital reserves	23	**18,255**	18,255	18,112
Cash flow hedge reserve	4,23	**(173,779)**	(200,159)	(152,375)
Revaluation reserve	4,23	**295,497**	240,069	233,109
Profit and loss account		**(334,444)**	(333,927)	(326,626)
Equity attributable to owners of the parent company		**119,976**	38,656	71,800
Non-controlling interest		**12,391**	6,042	7,504
		132,367	44,698	79,304

*Restated – during the financial year the Group has made several restatements of prior period. For further information refer to note 4.

The notes on pages 23 to 62 form part of these financial statements.

The financial statements were approved and authorised for issue by the board on 17 February 2021 and were signed on its behalf by:

Henry Gervaise-Jones

Director

UPP Group Holdings Limited
Company statement of financial position as at 31 August 2020

	Notes	31-Aug 2020 £'000	31-Aug 2019 £'000
Fixed assets			
Intangible assets	13, 14	**1,853**	1,402
Fixed assets	15	**868**	634
Investments	16	**284,866**	284,866
		287,587	286,902
Current assets			
Debtors falling due within one year	18	**24,255**	33,535
Cash at bank and in hand		**390**	133
		24,645	33,668
Creditors: amounts falling due within one year	20	**(17,783)**	(4,933)
Net current assets		**6,862**	28,735
Total assets less current liabilities		**294,449**	315,637
Creditors: amounts falling due after more than one year	21	**-**	(5,393)
Provisions for liabilities		**(215)**	(143)
Net assets		**294,234**	310,101
Share capital and reserves			
Called up share capital	22	**7,477**	7,477
Share premium account	23	**260,393**	260,364
Capital reserves	23	**9,964**	9,964
Profit and loss account		**16,400**	32,296
Shareholders' funds		**294,234**	310,101

The company has elected to take the exemption under section 408 of the Companies Act 2006 from presenting the parent company profit and loss account.

The notes on pages 23 to 62 form part of these financial statements.

The financial statements were approved and authorised for issue by the board on 17 February 2021 and were signed on its behalf by:

Henry Gervaise-Jones
Director

UPP Group Holdings Limited
Group statement of changes in equity for the year ended 31 August 2020

	Share capital	Share premium	Other reserve	Capital reserve	Cash flow hedge reserve	Revaluation reserve	Profit and loss account	Shareholders' equity	Non-controlling interest	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 September 2018	7,328	245,675	46,577	18,112	(105,896)	233,109	(323,941)	120,964	8,379	129,343
Restatement*	-	-	-	-	(46,479)	-	(2,685)	(49,164)	(875)	(50,039)
At 1 September 2018 restated*	7,328	245,675	46,577	18,112	-152,375	233,109	-326,626	71,800	7,504	79,304
Restated loss for the financial year	-	-	-	-	-	-	(7,301)	(7,301)	(710)	(8,011)
Restated other comprehensive income	-	-	-	-	(47,784)	6,960	-	(40,824)	(752)	(41,576)
Total comprehensive income	-	-	-	-	(47,784)	6,960	(7,301)	(48,125)	(1,462)	(49,587)
Capital contributions	-	-	-	143	-	-	-	143	-	143
Issue of ordinary shares	147	14,603	-	-	-	-	-	14,750	-	14,750
Equity-settled share-based payments	2	443	(357)	-	-	-	-	88	-	88
At 31 August 2019 restated*	7,477	260,721	46,220	18,255	(200,159)	240,069	(333,927)	38,656	6,042	44,698
Loss for the financial year	-	-	-	-	-	-	(1,362)	(1,362)	(734)	(2,096)
Other comprehensive income	-	-	-	-	26,380	56,273	-	82,653	7,083	89,736
Total comprehensive income	-	-	-	-	26,380	56,273	(1,362)	81,291	6,349	87,640
Equity-settled share-based payments	-	29	-	-	-	-	-	29	-	29
Transfer to profit and loss account	-	-	-	-	-	(845)	845	-	-	-
At 31 August 2020	**7,477**	**260,750**	**46,220**	**18,255**	**(173,779)**	**295,497**	**(334,444)**	**119,976**	**12,391**	**132,367**

*Restated – during the financial year the Group has made several restatements of prior period. For further information refer to note 4.

The notes on pages 23 to 62 form part of these financial statements.

UPP Group Holdings Limited
Company statement of changes in equity
for the year ended 31 August 2020

	Share capital	Share premium	Capital reserve	Profit and loss account	Total equity
	£'000	£'000	£'000	£'000	£'000
At 1 September 2018	7,328	245,675	9,964	39,362	302,329
Issue of ordinary shares	148	14,603	-	-	14,751
Equity-settled share-based payments	1	86	-	-	87
Results for the financial year	-	-	-	(7,066)	(7,066)
At 31 August 2019	7,477	260,364	9,964	32,296	310,101
Equity-settled share-based payments	-	29	-	-	29
Results for the financial year	-	-	-	(15,896)	(15,896)
Balance at 31 August 2020	**7,477**	**260,393**	**9,964**	**16,400**	**294,234**

UPP Group Holdings Limited
Group statement of cash flows
for the year ended 31 August 2020

	Year ended 31 August 2020 Group £'000	Restated Year ended 31 August 2019 Group £'000
Loss for the financial year	**(2,096)**	(8,011)
Adjustments for:		
Tax on loss on ordinary activities	**73**	(1,451)
Net interest expense	**77,730**	84,417
Operating profit	**75,707**	74,955
Depreciation	**8,727**	10,091
Amortisation of intangible assets and goodwill	**9,122**	3,135
Amortisation of computer software	**556**	223
Increase / (decrease) in provisions for dilapidations	**72**	16
(Increase) / decrease in debtors due within one year	**(2,933)**	4,006
Increase / (decrease) in creditors due within one year	**(12,646)**	6,352
Net cash inflow from operating activities	**78,605**	98,778
Investing activities		
Interest received	**2,755**	4,199
Payments to acquire intangible fixed assets	**(1,008)**	(849)
Payments to acquire service concession arrangements	**(108,575)**	(132,461)
Payments to acquire tangible fixed assets	**(962)**	(705)
Net cash flow used in investing activities	**(107,790)**	(129,816)
Financing activities		
Repayment of senior debt	**(10,180)**	(11,026)
Repayment of fixed rate debt	**(6,958)**	(4,008)
Repayment of index-linked debt	**(17,751)**	(9,144)
New long-term index-linked debt	**63,812**	123,354
New intercompany loans	**-**	(8,030)
Interest paid	**(50,367)**	(52,656)
Finance lease payments	**(603)**	
Interest received on finance receivables	**7,968**	1,356
Capital contributions	**-**	14,750
Net cash flow (used in) / from financing activities	**(14,079)**	54,596
Increase / (decrease) in cash and cash equivalents	**(43,264)**	23,558
Cash and cash equivalents at 1 September	**231,339**	207,781
Cash and cash equivalents at 31 August	**188,075**	231,339

The notes on pages 23 to 62 form part of these financial statements.

1. General information

UPP Group Holdings Limited is a private company limited by shares and incorporated in England with a company number 05016028. The registered office is 40 Gracechurch Street, London, EC3V 0BT.

2. Accounting policies

2.1 Basis of preparation

The financial statements have been prepared in accordance with The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis except for the modification to revaluation of fixed assets as specified in the accounting policies below.

The Group has chosen to apply transitional relief under Section 35.10 (i) *Service concession arrangements – Accounting by operators* and as a result its tangible assets which meet the definition of service concession arrangements under Section 34 and were entered into before the date of transition will continue to be accounted for using the same accounting policies being applied at the date of transition to FRS 102.

The Company has taken advantage of the disclosure exemption allowed under FRS 102.1.11(a) not to comply with Section 7 Statement of Cash Flows and it has not presented its own Statement of Cash Flows in these financial statements.

The Company has taken advantage of exemption allowed under FRS102 1.12(c) to not disclose information regarding the parent entities financial assets and liabilities.

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

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

2.2 Going concern

Notwithstanding a consolidated loss of £2,096k for the year ended 31 August 2020, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

In preparing these financial statements, the Directors have considered the impacts of the COVID-19 pandemic on the ability of the Group to continue as a going concern by preparing a cash flow forecast through to 31 August 2022, modelling a severe but plausible downside scenario which demonstrates that the Group and each individual subsidiary of the Group are expected to have sufficient liquidity to meet its liabilities as they fall due over the period of 12 months from the date of approval of the financial statements.

A key feature of the Group's contractual arrangements is that University counterparties bear the risk on in-year rental income once students have contracted for the rooms. The effectiveness of this contractual protection was confirmed through the challenging circumstances that arose during the third term when multiple partners chose to waive rents for students that departed early but continued to meet their payment obligations to the Group.

For the 2020/21 academic year the group has secured sufficient lettings to remain compliant with funding covenants. The Directors anticipate that the Group's University counterparties will meet their payment obligations as they fall due even in the severe plausible downside and, as a result, revenue risk for the 2020/21 year remains low. The Directors consider that the Group's costs are reasonably controllable and while there are likely to be increased costs arising from changes to the operating practices to respond to Covid-19, these may be offset by cost savings elsewhere and are not sufficient to threaten the viability of the business.

2. Accounting policies (continued)

The Directors believe that the fundamentals of the market for student accommodation remain supportive to the long-term success of the business and while Covid-19 and similar risks have the potential to impact upon future years, the Group, universities, the Government and the public are likely to be better prepared for such events such that the impact is less severe than it was in 2020.

On this basis, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being a period of not less than twelve months from the date of approval of these financial statements, and therefore have prepared the financial statements on a going concern basis

.2.3 Basis of consolidation

The Group financial statements consolidate the financial statements of UPP Group Holdings Limited and its subsidiary undertaking using the acquisition method from the date control passes to the Group. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities.

No profit and loss account is presented for UPP Group Holdings Limited as permitted by Section 408 of the Companies Act 2006. The result for the period dealt with in the Company accounts was a profit of £nil (2018: £nil).

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a Group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

In the parent Company financial statements investments in subsidiaries are accounted for at cost less any impairment

2. Accounting policies (continued)

2.4 Tangible fixed assets

Tangible fixed assets are stated at historical cost or valuation, less accumulated depreciation and any provisions for impairment. Historical cost includes all attributable expenditure including net finance costs incurred during construction, calculated as a proportion of total finance costs based on the number of rooms in construction over the total number of rooms.

Where the asset has been previously accounted for as a finance lease receivable but has been transferred to a tangible fixed asset due to a change in the significant risks and rewards of the asset, the tangible fixed asset is transferred at the carrying value of the finance lease receivable at the date where the balance of significant risks and rewards changed. This is treated as deemed cost.

Assets in the course of construction are shown at cost.

The carrying value of the tangible fixed asset is reviewed for impairment on transfer using a value in use calculation based on a full year forecast at the point of transfer, extrapolated over the remaining lease period using an appropriate growth rate.

The Group has adopted a policy to revalue assets used in operating leases every five years, on a property by property basis, with an interim valuation performed in year three of the cycle and in other years if there is evidence the value has changed significantly. The surplus or deficit on the book value of the historical assets 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.

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
Fixtures & fittings	- 3-10 years straight line

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.

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.

The remaining weighted average lease term is 50 years.

2.5 Finance receivable (pre 1 September 2014)

As permitted under FRS 102 Section 35 Transition to this FRS, the Group has elected to take the exemption under FRS 102 paragraph 35.10 (i) to continue to apply its previous accounting treatment in respect of Service Concession Arrangements entered into prior to the date of transition to FRS 102, therefore finance receivables, which qualify as service concession arrangements, and the associated non-recourse finance continue to be accounted under previous UK GAAP policies.

In initially accounting for costs as a finance receivable, all attributable expenditure, including net finance costs, are included in the cost of the finance assets. The finance receivable assets are subsequently valued using the internal rate of return method calculated on the basis of net present value of future cash flows throughout the operational phase, which vary from year to year.

2. Accounting policies (continued)

2.5 Finance receivable (pre 1 September 2014) (continued)

The finance asset is amortised over the operational phase of the project in accordance with FRS 102. This method of amortisation has been chosen as the profile of profit recognition is principally in line with the debt costs incurred over the life of the project. The amortisation is then credited to finance receivable.

The carrying value of the finance receivable asset is considered with reference to the individual subsidiary undertaking's current and projected cash-flows which have been prepared on the basis of a detailed analysis of each Company's finances, contracts and likely future demand trends, and impairment is reflected as required.

2.6 Non-recourse finance (pre 1 September 2014)

The Group holds certain principal assets under non-recourse finance facilities. These non-recourse finance facilities are secured by way of fixed charge over the principal asset together with contractual terms which provide that the lender will seek repayment of the finance only to the extent that sufficient funds are generated by the specific assets financed and that the lender will not seek recourse to the group in any other form.

2.7 Service concession intangible and financial assets (post 1 September 2014)

The Group contracts with public benefit bodies to construct (or upgrade) student accommodation and operates and maintains the infrastructure asset for a specified period of time, often for its entire useful life.

These arrangements are accounted for based on the nature of the consideration. The intangible asset model is used to the extent that the Group receives a right (a licence) to charge users of the public service. The financial asset model is used when the Group has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction services. When the unconditional right to receive cash covers only part of the service, the two models are combined to account separately for each component. If the Group performs more than one service (i.e., construction or upgrade services and operation services) under a single contract or arrangement, consideration received or receivable is allocated by reference to the relative fair values of the services delivered, when the amounts are separately identifiable.

- An intangible asset is measured at the fair value of consideration transferred to acquire the asset, which is the fair value of the consideration received or receivable for the construction services delivered. The intangible asset is amortised over its expected useful life in a way that reflects the pattern in which the asset's economic benefits are consumed by the entity, starting from the date when the right to operate starts to be used. Based on these principles, the intangible asset is amortised in line with the actual usage of student accommodation, with a maximum of the duration of the concession.

- In the financial asset model, the amount due from the grantor meets the definition of a receivable which is measured at fair value. It is subsequently measured at amortised cost. The amount initially recognised plus the cumulative interest on that amount is calculated using the effective interest method.

Any asset carried under concession arrangements is derecognised on disposal or when no future economic benefits are expected from its future use or disposal or when the contractual rights to the financial asset expire.

2. Accounting policies (continued)

2.8 Revenue

Lease interest in student accommodation (for new assets under FRS 102)

The Group manages student accommodation under service concession followed by a period in which the Group maintains and services the infrastructure. These concession arrangements set out rights and obligations related to the infrastructure and the service to be provided.

For fulfilling those obligations, the Group is entitled to receive either cash from the grantor or a contractual right to charge the users of the service. The consideration received or receivable is allocated by reference to the relative fair values of the services provided; typically:

- A construction component
- A service element for operating and maintenance services performed

As set out above, the right to consideration gives rise to an intangible asset, or financial asset:

Intangible asset

- Revenue from the concession arrangements earned under the intangible asset model consists of the fair value of contract revenue, which is deemed to be fair value of consideration transferred to acquire the asset and payments actually received from the users. Construction revenue is receivable during the construction phase of the contract and rental income from student accommodation is receivable during the operational phase of the contract.
- Construction revenue is recognised by reference to the stage of completion of the contract activity at the year end. In applying the percentage of completion method, revenue recognised corresponds to the total contract revenue multiplied by the actual completion rate based on the total contract costs incurred to date and the estimated costs to complete.
- Rental income receivable during the operational phase of the contract is recognised on a straight-line basis over the term accounting period.

Financial asset

- Revenue from the concession arrangements earned under the financial asset model is recognised in interest income and consists of the (i) fair value of the amount due from the grantor; and (ii) interest income related to the capital investment in the project.
- During the construction phase, fair value of amount due from grantor represents the cost arising on the construction of the asset plus a margin.
- Interest income is measured using the effective interest method and recorded when the asset is set up during construction as well as during the operational phase of the contract.

Lease interest in student accommodation (for assets pre 1 September 2014)

Rent receivable is recognised on a straight-line basis of the amount receivable in respect of the rental period. Amounts received in advance are included within deferred income.

Management & development

Profit in respect of fees chargeable to universities for development is recognised as the contract progresses.

2. Accounting policies (continued)

2.8 Revenue (continued)

The profit recognised reflects the proportion of the work carried out at the balance sheet date measured on the basis of costs incurred to date as a proportion of total budgeted costs.

Where the outcome of a development cannot be assessed with reasonable certainty before financial close, no profit is recognised for that project. If it is expected that the development will result in a loss, all of the loss is recognised when foreseen.

Facility management services

Turnover in respect of facility management services provided to entities outside of the group is recognised on the basis of the amount receivable in respect of the accounting period.

2.9 Investments in subsidiaries

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

2.10 Debtors

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

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

2.11 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.12 Intangible fixed assets (excluding Service Concession Arrangements)

Goodwill arising on acquisition of subsidiary undertakings is the difference between the fair value of consideration paid and the fair value of the net assets acquired from the date that control passes.

Goodwill attributed to subsidiary undertakings that provide student accommodation is amortised on a straight-line basis over the remaining lease period on the principal asset held by each subsidiary. Goodwill attributed to the remaining subsidiary undertakings is amortised on a straight-line basis over a period of two years in respect of UPP Projects Limited and 20 years in respect of all other subsidiary undertakings. These periods of amortisation represent the expected useful economic life of the goodwill acquired.

2. Accounting policies (continued)

2.13 Interest bearing loans and borrowings

Loans, secured and unsecured notes

Loans, secured and unsecured notes, including bridge funding, are initially measured at fair value, net of transaction costs. They are then subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant year. The effective interest rate is the rate that exactly discounts estimated future cash flows through the effected life of the financial liability, or (where appropriate) a shorter year, to the net carrying amount on initial recognition.

Where the financial liability has variable index linked interest and principal repayments the change in RPI is charged to the profit and loss in the period to which it relates.

Where the financial liability has variable LIBOR linked interest payments, the estimated cash flows are revisited at each reporting year and the effective rate is adjusted to reflect any changes in estimated LIBOR rates over the term of the financial instrument.

2.14 Creditors

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

2.15 Derivative instruments

The Group has entered into inflation linked swaps ('RPI swaps') and interest rate swaps ('IR swaps') with external parties to manage its exposure to changes in inflation and LIBOR rates respectively. All derivative instruments are initially measured at fair value on the date the contract is entered into and subsequently re-measured to fair value at each reporting period end. The gain or loss on re-measurement is taken to the income statement except where the derivative is designated as a hedging instrument and the hedge meets the criteria for hedge accounting under Section 12. To the extent the hedge is effective, movements in fair value are recognised in other comprehensive income and presented in a separate cash flow hedge reserve. Any ineffective portions of those movements are recognised in profit or loss for the period.

The Group chooses to adopt hedge accounting for all its swaps which meet the qualifying criteria for hedge accounting under Section 12 of FRS 102.

Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

2.16 Finance costs

Financing costs, comprising interest payable on loans, secured and unsecured notes and the costs incurred in connection with the arrangement of borrowings are recognised in profit or loss using the effective interest method. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument unless the capital instrument is subsequently carried at fair value in which case the initial issue costs are expensed in the profit and loss account.

Financing costs also include losses or gains arising on the change in fair value of hedging instruments that are recognised in profit or loss.

UPP Group Holdings Limited
Notes to the financial statements (continued)
for the year ended 31 August 2020

2. Accounting policies (continued)

2.17 Borrowing costs

Borrowing costs directly attributable to the acquisition and construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.18 Hedge accounting

The Group applies hedge accounting for transactions entered into to manage the cash flow exposures of borrowings and rental income. The Group designates all its derivative financial instruments, which meet the qualifying conditions for hedge accounting, as cash flow hedges.

Interest rate swaps are held to manage the LIBOR rate exposures of the senior bank debt by swapping the LIBOR linked interest payments for fixed rate interest payments.

Inflation swaps are held to manage the Group's exposure to changes in RPI. The Group's rental income from student accommodation is linked to RPI and the swap contacts manage the exposure to RPI by swapping RPI annual rate changes with a fixed rate.

Changes in the fair values of derivatives designated as cash flow hedges, and which are effective, are recognised in other comprehensive income directly in cash flow hedge reserve. Any ineffectiveness in the hedging relationship (being the excess of the cumulative change in fair value of the hedging instrument since inception of the hedge over the cumulative change in the fair value of the hedged item since inception of the hedge) is recognised in the profit and loss account.

The gain or loss recognised in other comprehensive income is reclassified to the profit and loss when the hedge relationship ends. Hedge accounting is discontinued when the hedging instrument expires, no longer meets the hedging criteria, the forecast transaction is no longer highly probable, the hedged debt instrument is derecognised or the hedging instrument is terminated.

The Group has elected to adopt hedge accounting for all its swaps which meet the qualifying criteria for hedge accounting under Section 12 of FRS 102.

2.19 Taxation

Current tax

Current tax is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that that have been enacted or substantively enacted by the reporting date.

2.20 Related party transactions

The Group has taken advantage of the terms of FRS 102.33.1A not to disclose related party transactions between members of the Group where such members are wholly owned by a member of the Group.

2.21 Defined contribution pension scheme

Contributions to employees' personal pension arrangements during the period 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.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Group in independently administered funds.

2. Accounting policies (continued)

2.22 Defined benefit pension plan

The Group operates a defined benefit plan for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including but not limited to age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The liability recognised in the Group statement of financial position in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the Group statement of financial position date less the fair value of plan assets at the balance sheet date (if any) out of which the obligations are to be settled.

The defined benefit obligation is calculated using the projected unit credit method. Annually the Group engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating to the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the Group's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 're-measurement of net defined benefit liability'.

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:

- the increase in net pension benefit liability arising from employee service during the period; and
- the cost of plan introductions, benefit changes, curtailments and settlements.

2.23 Share-based payments

The Group provides share-based payment arrangements to certain employees. Equity-settled arrangements are measured at fair value (excluding the effect on nonmarket based vesting conditions) at the date of the grant. The fair value is expensed on a straight-line basis over the vesting period. The amount recognised as an expense is adjusted to reflect the actual number of shares or options that will vest.

Where equity-settled arrangements are modified, and are of benefit to the employee, the incremental fair value is recognised over the period from the date of modification to date of vesting. Where a modification is not beneficial to the employee there is no change to the charge for share-based payment. Settlements and cancellations are treated as an acceleration of vesting and the unvested amount is recognised immediately in the income statement.

2.23 Cash-settled arrangements

The Group's obligation with respect to long-term employee benefits is calculated as the amount of future benefits that employees have earned in return for their service. This amount is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

2.24 Long-term incentive scheme

The Group operates a long-term incentive scheme for certain employees within the Group. The amount of any awards receivable by the employees will depend on the results of the entity and the overall growth of the business over a period of ten years. In certain circumstances a specific event can trigger an earlier payment. Amounts representing the associated employment expense are included in the profit and loss account.

3. Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to exercise judgement in applying the Group's accounting policies. It also requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenses. However, the nature of estimation means that actual outcomes could differ from those estimates.

Estimates and assumptions are reviewed on an on-going basis with revisions recognised in the period in which the estimates are revised and in any future periods affected.

The areas involving the most sensitive estimates and assumptions, that are significant to the financial statements, are set out below:

Revaluation of the principal assets

The Group has adopted a policy to revalue the principal assets 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 Group engages independent valuation specialists to determine the fair value of the assets every five years, with a directors' valuation performed at any other interim period. The valuation technique employed by both the independent valuers and directors is based on a discounted cash flow model as there is a lack of comparable market data due to the specific nature of the property assets. The determined fair value of the principal assets is most sensitive to the estimated rental growth, discount rate, as well as the long term occupancy rates. The key assumptions used to determine the principal assets are further explained in note 15.

Valuation of RPI and IR swaps

Derivatives are initially recognised at fair value at the date a derivative is entered into and are subsequently remeasured to their fair value at each reporting date.

Fair value estimates of derivatives are based on relevant market information and information about the financial instruments which are subjective in nature. The fair value of these financial instruments is determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves, spot and forward rates, as well as option volatility.

The Group incorporates credit valuation adjustments to appropriately reflect both its own non-performance risk and the respective counterparty's non-performance risk in the fair value measurements.

During the financial year the Group's management have revised approach to determine impact of non-performance risk including entity's own risk on fair value of derivatives. For further information refer to note 4.

In adjusting the fair value of its derivative contracts for the effect of non-performance risk, the Group has considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts, and guarantees.

The Group has used a third-party expert to assist with valuing derivative instruments.

Goodwill useful economic life

The Group establishes a reliable estimate of the useful economic life of goodwill arising on business combinations. 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 represents the period over which each subsidiary undertaking acquired will continue to generate operating cash flows. For further details refer to note 13.

3. Judgements and key sources of estimation uncertainty (continued)

Impairment of non-financial assets

The Group assesses at each reporting date whether an asset may be impaired. If any such indication exists the Group estimates the recoverable amount of the asset. If it is not possible to estimate the recoverable amount of the individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. The recoverable amount of an asset or cash generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable amount is less than its carrying amount, the carrying amount of the asset is impaired and it is reduced to its recoverable amount through impairment in profit and loss unless the asset is carried at a re-valued amount where the impairment loss of a re-valued asset is a revaluation decrease.

An impairment loss recognised for all assets, including goodwill, is reversed in a subsequent period if and only if the reasons for the impairment loss have ceased to apply.

Defined benefit pension scheme

The cost of defined benefit pension plans and other post-employment medical benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long-term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of high-quality corporate bonds in the respective currency, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables. Future salary increases and pension increases are based on expected future inflation rates.

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

Presentation of the principal asset (for assets pre 1 September 2014)

Rent receivable is generated from the Group's interests in university accommodation.

These interests fall within the scope of Section 34 of FRS 102, however, due to the transitional relief adopted in relation to service concession arrangements, the Group continues to account for all its principal assets applying the policies under the extant UK GAAP, FRS 5 (Application Note F).

Each year the Group applies judgement in assessing 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 assets are treated as tangible fixed assets.

Presentation of the principal asset (for assets post 1 September 2014)

Rent receivable is generated from the Group's interests in university accommodation.

Since 1 September 2014 these interests fall within the scope of Section 34 of FRS 102 and the Group accounts for all of its principal assets applying the policies under service concession arrangements entered into after that date. Each year the Group applies judgement in assessing the status of these interests, in accordance with the provisions of Section 34 of FRS 102.

Typically the subsidiary undertakings that have entered into arrangements after this date have entered into a Project type Agreement with the relevant University partner that sets out, amongst other matters, the marketing and allocation procedures, the mechanism for which the rental income is set, the service levels that the accommodation is operated within and the condition in which the property reverts to the University at the end of the Concession period.

3. Judgements and key sources of estimation uncertainty (continued)

The subsidiary undertakings that have entered into these arrangements this year take full occupancy and demand risk on the provision of the accommodation. Where the operator does not have an unconditional right to charge the grantor for the use of the assets, the assets are treated as intangible assets. Where the operator does have an unconditional right to charge the grantor for the use of the assets, the assets are treated as financial assets.

Capitalisation of costs and construction margin

During the period of construction, all costs incurred as a direct result of financing, designing and constructing the student accommodation, including finance costs, have been capitalised.

Revenue on construction is recognised at cost with no margin as profitability is considered negligible with no interim services provided during construction and the risk fully passing down to the building contractor.

Classification of index-linked financial instruments

The Group's index linked senior secured notes are fully amortising with both principal repayments and real interest adjusted semi-annually by the change in the RPI index. Management have concluded that despite both principal and interest being linked to RPI, these links are not leveraged because both principal and interest repayment obligations change in the same proportion and therefore the condition in paragraph 11.9(a) and (aA) is met and the Group's index linked financial instruments are classified as basic and carried at amortised cost.

Hedge accounting for inflation and interest swaps

The Group has chosen to apply hedge accounting for all hedging instruments which are in a qualifying hedging relationship under FRS 102 Section 12. Significant judgement is exercised in concluding that future inflationary increases or decreases in rent receivable from university partners are separately identifiable and reliably measurable components of the rental income which ensures the inflation component of rental income and the related RPI swaps are in a hedging relationship which meets the qualifying criteria for hedge accounting under Section 12 of FRS 102.

In determining the fair value of the interest rate swap in UPP (Lancaster) Limited at the trade date in 2007, management have deemed the hedging instrument to be the current swap with a preceding one embedded in it. This is underpinned by the fact that management's intention was to treat the novation as a continuation of the previous relationship. In doing so, the cash flow relating to the preceding interest rate swaps has been included in the cash flow hedge reserve.

Limited recourse of subordinated and bridge funding loan notes

Included within the Bridge Funding Loan Note Facility agreement and the subsequent Subordinated Loan Note Facility agreement by a number of the subsidiary undertakings is a clause that provides the investor into these facilities with no recourse to profits or losses generated outside of each relevant Company's project documents. The directors consider that the likelihood that this clause would be activated is only likely to arise in the instance of the project default which the directors consider to be a remote possibility. Therefore, the directors consider these financial instruments to be basic financial instruments and carried at amortised cost.

4. Restatements of prior period

Derivatives valuation adjustment

During the financial year ended 31 August 2020 the Directors adjusted fair value of derivatives presented in prior periods for the effect of the entity's own non-performance risk and that of the respective counterparty's non-performance risk.

In prior periods the Group performed the calibration of standard valuation models on inception for each derivative to determine an initial spread that calibrated the model to zero on the trade date. The initial spread was held constant and added to market interest and inflation curves at each year end.

In the current year the Group incorporates credit and debit valuation adjustments to appropriately reflect both its own non-performance risk and the respective counterparty's non-performance risk in the fair value measurements. In adjusting the fair value of its derivative contracts for the effect of non-performance risk, the Group has considered any applicable credit enhancements, such as collateral postings, thresholds, mutual puts, and guarantees.

The impact of the change has been presented below.

Effective interest rate calculation for one financial asset

During the financial year ended 31 August 2020 the Group's management have revised estimated cash flows used for effective interest rate calculation for one of the financial assets. The impact of the change has been presented below.

Presentation of one financial asset

During the financial year ended 31 August 2020 the Group's management have identified that one of the financial assets does not meet the definition of service concession arrangement and decided to present it in separate line in consolidated statement of financial position. The impact of the change has been presented below.

Consolidated statement of profit or loss and OCI for the year ended 31 August 2019

For the year ended 31 August 2019	As previously reported £'000	Derivative valuation adjustment	As restated £'000
Senior financing interest	(69,823)	686	(69,137)
Other interest payable & similar charges	(3,193)	(1,620)	(4,813)
Finance cost total	**(73,016)**	**(935)**	**(73,951)**
Loss for the financial year	**(18,487)**	**(935)**	**(19,422)**
Fair value movements on swaps	(57,502)	8,967	(48,535)
Total other comprehensive profit for the year	**(57,825)**	**8,967**	**(48,858)**
Total comprehensive profit/(loss) for the year	**(76,312)**	**8,967**	**(67,345)**
Other comprehensive income for the year attributable to:			
Non-controlling interests	(915)	7	(908)
Owners of the parent	(56,910)	8,959	(47,951)
Total	**(57,825)**	**8,967**	**(48,858)**
Total other comprehensive income for the year attributable to:			
Non-controlling interests	(1,624)	7	(1,617)
Owners of the parent	(74,688)	8,959	(65,729)
Total	**(76,312)**	**8,967**	**(67,345)**

4. Restatements of prior period (continued)

Consolidated statement of financial position as at 1 September 2019

31 August 2019	As previously reported £'000	Derivative valuation adjustment £'000	Effective interest rate calculation for one financial asset £'000	Presentation of a financial asset £'000	As restated £'000
Assets					
Current assets					
Debtors subject to non-recourse finance	102,984	-	10,133	(4,519)	108,598
Debtors: amounts falling due within one year	18,326	-	-	1,314	19,640
Debtors: amounts falling due after one year	22,566	(22,297)	-	3,205	3,474
Total assets less current liabilities	**2,167,371**	**(22,297)**	**10,133**	**-**	**2,155,207**
Liabilities					
Non-current liabilities					
Creditors: amounts falling due after more than one year	(2,078,641)	(29,843)	-	-	(2,108,484)
Net assets excluding pension liability	**88,587**	**(52,140)**	**10,133**	**-**	**46,580**
Net assets	**86,705**	**(52,140)**	**10,133**	**-**	**44,698**
Share capital and reserves					
Cash flow hedge reserve	(162,639)	(37,520)	-	-	(200,159)
Revaluation reserve	240,069	-	-	-	240,069
Profit and loss account	(330,308)	(13,753)	10,133	-	(333,927)
Equity attributable to owners of the parent company	**79,795**	**(51,272)**	**10,133**	**-**	**38,656**
Non-controlling interest	6,910	(868)	-	-	6,042
Total equity	**86,705**	**(52,140)**	**10,133**	**-**	**44,698**

4. Restatements of prior period (continued)

Consolidated statement of financial position as at 1 September 2018

1 September 2018	As previously reported £'000	Derivative valuation adjustment £'000	Effective interest rate calculation for one financial asset £'000	Presentation of a financial asset £'000	As restated £'000
Assets					
Current assets					
Debtors subject to non-recourse finance	103,261	-	9,447	(5,667)	107,041
Debtors: amounts falling due within one year	12,915	-	-	1,148	14,063
Debtors: amounts falling due after one year	33,836	(33,524)	-	4,519	4,831
Total assets less current liabilities	**2,009,538**	**(33,524)**	**9,447**	**-**	**1,985,000**
Liabilities					
Non-current liabilities					
Creditors: amounts falling due after more than one year	(1,878,574)	(25,962)	-	-	(1,904,536)
Net assets excluding pension liability	**130,838**	**(59,486)**	**9,447**	**-**	**80,799**
Net assets	**129,343**	**(59,486)**	**9,447**	**-**	**79,304**
Share capital and reserves					
Cash flow hedge reserve	(105,896)	(46,479)	-	-	(152,375)
Revaluation reserve	233,109	-	-	-	233,109
Profit and loss account	(323,941)	(12,132)	9,447	-	(326,626)
Equity attributable to owners of the parent company	**120,964**	**(58,611)**	**9,447**	**-**	**71,800**
Non-controlling interest	8,379	(875)	-	-	7,504
Total equity	**129,343**	**(59,486)**	**9,447**	**-**	**79,304**

5. Turnover

Turnover represents the amounts derived from the provision of services, which fall within the Group's ordinary activities, stated net of value added tax.

The Group operates in four areas of activity, that of provision of student accommodation, the provision of facilities management services, construction services and management and development services.

Group turnover arises wholly in the UK and is split as below:

	Year ended 31 August 2020 £'000	Year ended 31 August 2019 £'000
Facilities management services	**3,283**	4,194
Management and development services	**1,255**	482
Construction services	**64,681**	80,978
Provision of student accommodation	**185,083**	172,414
	254,302	**258,068**

6. Directors' remuneration

The directors of the group companies received remuneration in respect of services performed in connection with the management of the affairs of the group through the wholly owned subsidiaries, UPP Projects Limited and UPP Residential Services Limited.

The remuneration costs for these directors were:

	Year ended 31 August 2020 £'000	Year ended 31 August 2019 £'000
Emoluments	**1,232**	1,470
Loss of office		-
Company contributions to defined contribution schemes	**37**	50
	1,269	**1,520**

The amounts included above in respect of the highest paid director are as follows:

	£'000	£'000
Emoluments	**169**	505
Company contributions to defined contribution schemes	**-**	-
	169	**505**

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for the year ended 31 August 2020

7. Auditor's remuneration

	Year ended 31 August 2020 £'000	Year ended 31 August 2019 £'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**45**	20
The audit of the Company's subsidiaries pursuant to legislation	**604**	488
	649	**508**

8. Employee information

As at 31 August 2020 the Company has 104 employees (2019: 94).

	Year ended 31 August 2020	Year ended 31 August 2019
The average number of persons employed by the Group during the year was as follows:	**Number**	Number
Management and operations	156	135
Site managers	77	21
Administration, maintenance and cleaning (full and part time)	688	671
	921	827

The employment costs of all employees included above were:

	Year ended 31 August 2020 £'000	Year ended 31 August 2019 £'000
Wages and salaries	26,596	28,899
Social security costs	3,238	2,489
Other pension costs – defined contribution	1,413	2,086
Other pension costs – defined benefit	34	39
	31,281	**33,513**

Key management personnel

Directors and certain senior employees who have authority and responsibility for planning, directing and controlling the activities of the Group are key management personnel. Total remuneration with respect of these individuals is £1,687,000 (2019: £1,762,000).

Long Term Incentivisation Scheme

No payments were made under the long term incentivisation scheme during the year (2019: £nil).

9. Operating profit

The operating profit is stated after charging:

	Year ended 31 August 2020 £'000	Year ended 31 August 2019 £'000
Amortisation of goodwill	**1,694**	1,694
Amortisation of computer software	**556**	223
Amortisation of service concession arrangements	**7,428**	1,217
Depreciation	**8,727**	10,064
Auditors' remuneration (including non-audit fees)	**649**	508

10. Interest receivable and similar income

	Year ended 31 August 2020 £'000	Year ended 31 August 2019 £'000
Interest received on cash balances	**951**	995
Interest income on finance receivable	**9,986**	3,204
Finance gain on fair value movements on swaps	**4,161**	-
	15,098	4,199

11. Interest payable and similar charges

	Year ended 31 August 2020 £'000	Restated Year ended 31 August 2019 £'000
Financial liabilities measured at amortised cost		
Bank loan interest	21,734	25,080
Interest payable on senior secured notes	18,456	13,592
Interest payable on index-linked facilities	29,709	31,106
Subordinated loan note interest	3,267	1,823
Interest income on finance receivable	3,660	-
Interest due on loan from parent company	15,968	14,655
Financial liabilities measured at fair value		
Fair value movements on swaps	-	1,387
Other charges		
Interest on net defined benefit pension liability & overdraft fee	34	39
	92,828	87,682

Included within the interest payable on index-linked facilities is £16,244,000 (2019: £16,888,000) that relates to the inflation uplift on the index-linked facilities.

During the financial year the Group has made several restatements of prior period. For further information refer to note 4.

12. Tax on loss on ordinary activities

a) Tax on loss on ordinary activities

The tax charge/(credit) is made up as follows:

	Year ended 31 August 2020 £'000	Year ended 31 August 2019 £'000
Current tax:		
Current tax on income for the year	-	(1,471)
Adjustment to tax charge in respect of prior years	73	20
Total current tax	73	(1,451)
Deferred tax:		
Current year	-	-
Total deferred tax	-	-
Tax (credit) / charge on loss on ordinary activities	73	(1,451)

b) Tax included in the Group statement of total other comprehensive income

Deferred tax:		
Current year	-	-
Total deferred tax	-	-
Total tax (credit) / charge	-	-

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

The tax assessed for the year is higher (2019: lower) than the standard rate of corporation tax in the UK of 19.00% (2018: 19%). The differences are explained below:

	Year ended 31 August 2020 £'000	Year ended 31 August 2019 £'000
Loss on ordinary activities before tax	(2,023)	(9,462)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2019: 19%)	(384)	(1,798)
Effects of:		
Expenses not deductible for tax purposes	14,879	9,453
Non-taxable income	(12,792)	(7,447)
Adjustment to tax charge in respect of prior year	73	20
Brought forward losses utilised in the year	(630)	(620)
Movement in deferred tax not recognised	-	1,254
Group relief	2,155	1,160
Current year losses carried forward	1,611	-
Exempt property rental (profits)/losses in the year	(4,838)	(3,473)
Current tax (credit) / charge for the year (note 12a)	73	(1,451)

12. Tax on loss on ordinary activities (continued)

d) Factors that may affect future tax charges

A deferred tax asset of £72,413,000 (2019: £72,741,000) in respect of available tax losses has not been recognized at 31 August 2020. This is due to there being no persuasive and reliable evidence available at this time of suitable profits to offset these losses.

UPP REIT Holdings Limited is a Real Estate Investment Trust ("REIT"). As a result, the company does not pay UK corporation tax on profits and gains from qualifying property rental business providing it meets certain conditions. Non-qualifying profits and gains continue to be subject to UK corporation tax as usual.

13. Intangible fixed assets - Other

	Computer software	Goodwill	Total
Group	**£'000**	**£'000**	**£'000**
Cost			
At 1 September 2019	2,309	60,121	62,430
Additions	1,008	-	1,008
At 31 August 2020	**3,317**	**60,121**	**63,438**
Amortisation			
At 1 September 2019	(909)	(28,427)	(29,336)
Charge during the year	(556)	(1,694)	(2,250)
At 31 August 2020	**(1,465)**	**(30,121)**	**(31,586)**
Net book value			
At 31 August 2020	**1,852**	**30,000**	**31,852**
At 31 August 2019	1,400	31,694	33,094

Goodwill has arisen on the acquisition of subsidiary undertakings in April 2004 and during the years ended 31 August 2008 and 31 August 2012, and the acquisition of minority interests in UPP (Alcuin) Limited and UPP (Nottingham) Limited previously held by University of York and Nottingham Trent University respectively in March 2013.

Goodwill attributed to subsidiary undertakings that provide student accommodation is amortised on a straight-line basis over the remaining lease period on the principal asset held by each subsidiary, the longest of which expires in 2058. This period of amortisation represents the period over which each subsidiary undertaking acquired will continue to generate operating cash flows.

Goodwill attributed to the remaining subsidiary undertakings is amortised on a straight-line basis over a period of two years in respect of UPP Projects Limited and 20 years in respect of all other subsidiary undertakings. These periods represent the anticipated period over which future cash flows are expected to be generated on the business at the date of acquisition.

The carrying amount of goodwill is allocated to the cash generating companies acquired. The fair value 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 at the point of first full operation, 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.

The computer software relates to purchased as well as internally generated computer software costs. The computer software is being amortized evenly over its useful life between 3 to 5 years.

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for the year ended 31 August 2020

13. Intangible fixed assets - Other (continued)

	Computer software	Total
Company	**£'000**	**£'000**
Cost		
At 1 September 2019	1,553	1,553
Additions	1,007	1,007
At 31 August 2020	**2,560**	**2,560**
Amortisation		
At 1 September 2019	(151)	(151)
Charge during the year	(556)	(556)
At 31 August 2020	**(707)**	**(707)**
Net book value		
At 31 August 2020	**1,853**	**1,853**
At 31 August 2019	1,402	1,402

14. Intangible fixed assets – Service Concession Arrangements

	Assets for use in operating leases £'000	Assets in the course of construction £'000	Total £'000
Group			
Cost			
At 1 September 2019	309,921	76,512	386,433
Additions		74,523	74,523
At 31 August 2020	**309,921**	**151,035**	**460,956**
Amortisation			
At 1 September 2019	(3,250)	-	(3,250)
Charge during the year	(7,428)	-	(7,428)
At 31 August 2020	**(10,678)**	**-**	**(10,678)**
Net book value			
At 31 August 2020	**299,243**	**151,035**	**450,278**
At 31 August 2019	306,671	76,512	383,183

Assets in the course of construction are scheduled to become operational in September 2020 and September 2021.

The carrying value of the assets is the fair value of consideration transferred and will be amortised over its expected useful life which will reflect the concession length of each of the arrangements.

The additions relate to construction in UPP (Exeter 2) Holdings 1 Limited and UPP (East Park) Holdings 1 Limited.

15. Tangible fixed assets

Group	Assets for use in operating leases £'000	Fixtures and fittings £'000	Total £'000
Cost or valuation			
At 1 September 2019	1,493,446	6,542	1,499,988
Revaluation	63,226	-	63,226
Additions	-	962	962
At 31 August 2020	**1,556,672**	**7,504**	**1,564,176**
Depreciation			
At 1 September 2019	(20,173)	(5,010)	(25,183)
Charge during the year	(7,319)	(562)	(7,881)
On revalued assets	(845)	-	(845)
At 31 August 2020	**(28,337)**	**(5,572)**	**(33,909)**
Net book value			
At 31 August 2020	**1,528,335**	**1,932**	**1,530,267**
At 31 August 2019	1,473,273	1,532	1,474,805

Fixed assets include net finance costs up to the date of completion of £42,287,000 (2019: £42,287,000). An amount of £Nil (2019: £nil) was capitalised during the year.

If assets used in operating leases had not been revalued, they would have been included at the following amounts:

	Assets for use in operating leases 31-Aug 2020 £'000	Assets for use in operating leases 31-Aug 2019 £'000
Cost	**1,231,119**	1,260,168
Depreciation	**(29,049)**	(29,049)
Net book value at 31 August	**1,202,070**	1,231,119

Assets used in operating leases were subject to an independent interim valuation by Jones Lang LaSalle ("JLL"), Chartered Surveyors, on an existing use basis at 31 August 2020.

The key critical assumptions made in relation to the valuations are set out below:

Discount rates	6.4% - 9.75%
Occupancy rates	98% - 100%
RPI	2.5% - 3.5%

15. Tangible fixed assets (continued)

Company	Fixtures & fittings £'000	Total £'000
Cost		
At 1 September 2019	850	850
Additions	769	769
At 31 August 2020	**1,619**	**1,619**
Amortisation		
At 1 September 2019	(216)	(216)
Charge during the year	(535)	(535)
At 31 August 2020	**(751)**	**(751)**
Net book value		
At 31 August 2020	**868**	**868**
At 31 August 2019	634	634

16. Company's investments

Company	Interest in group undertakings £'000
At 1 September 2019	**284,866**
Additions	-
At 31 August 2020	**284,866**

The fixed asset investment value above represents the carrying value of the Company's investment in UPP Group Limited.

A list of the subsidiary undertakings of UPP Group Holdings Limited, the results of which are included in the consolidated financial statements, can be found in note 28.

17. Debtors subject to non-recourse finance

	31 August 2020 Group £'000	**31 August 2020 Company £'000**	Restated 31 August 2019 Group £'000	31 August 2019 Company £'000
Finance receivable	**146,568**	-	108,598	-

The finance receivable asset includes net finance costs of £1,119,000 (2019: £1,119,000). The terms of the finance agreement provide that the lender will seek repayment of the finance only to the extent that sufficient funds are generated by specific assets financed and will not seek recourse to the Group in any other form.

During the financial year the Group has made several restatements of prior period. For further information refer to note 4.

18. Debtors: amounts falling due within one year

	31 August 2020 Group £'000	31 August 2020 Company £'000	Restated 31 August 2019 Group £'000	31 August 2019 Company £'000
Trade debtors	**1,819**	**-**	2,151	-
Amounts owed by related parties	**11,991**	**-**	12,883	-
Amounts due from subsidiary undertakings	**-**	**22,418**	-	32,566
VAT recoverable	**1,353**	**518**	1,170	-
Other debtors	**1,639**	**1,319**	905	22
Prepayments and accrued income	**5,772**	**-**	2,531	947
	22,574	**24,255**	19,640	33,535

Amounts owed by related parties noted above are interest free and repayable on demand.

During the financial year the Group has made several restatements of prior period. For further information refer to note 4.

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

	31 August 2020 Group £'000	31 August 2020 Company £'000	Restated 31 August 2019 Group £'000	31 August 2019 Company £'000
Derivative financial instruments	**965**	**-**	-	-
Amounts owed by related parties	**-**	**-**	3,474	-
	965	**-**	3,474	-

During the financial year the Group has made several restatements of prior period. For further information refer to note 4.

Amounts owed by related parties noted above are interest free and repayable on demand.

20. Creditors: amounts falling due within one year

	31 August 2020 Group £'000	31 August 2020 Company £'000	31 August 2019 Group £'000	31 August 2019 Company £'000
Current instalment on borrowings	**39,087**	**-**	34,817	-
Trade creditors	**10,376**	**590**	14,640	571
Amounts owed to related parties	**2,969**	**8,555**	1,821	16
Other taxes and social security	**1,250**	**-**	1,045	-
Other creditors	**1,182**	**627**	250	319
Accruals and deferred income	**36,001**	**8,011**	46,353	4,027
	90,865	**17,783**	98,926	4,933

21. Creditors: amounts falling due after more than one year

	31 August 2020 Group £'000	31 August 2020 Company £'000	Restated 31 August 2019 Group £'000	31 August 2019 Company £'000
Senior debt	**552,249**	-	554,168	-
Senior secured notes	**492,864**	-	500,185	-
Senior index linked debt	**644,625**	-	581,847	-
Non-recourse bank debt finance	**80,162**	-	80,801	-
Secured subordinated loan notes	**31,745**	-	29,785	-
Derivative financial instruments	**180,598**	-	210,628	-
Loan from parent company	**201,856**	-	185,887	-
	2,184,099	-	2,143,301	-
Less: included in creditors amounts falling due within one year	**(39,088)**	-	(34,817)	5,393
	2,145,011	-	2,108,484	5,393

The table below summaries the maturity profile of the Group's derivative financial liabilities based on contractual undiscounted payments.

Maturity of debt	31 August 2020 Group £'000	31 August 2020 Company £'000	Restated 31 August 2019 Group £'000	31 August 2019 Company £'000
Repayable within one year or on demand	**53,006**	-	34,817	5,393
Repayable in more than one year but less than two years	**54,416**	-	40,185	-
Repayable in more than two years but less than five years	**380,748**	-	320,417	-
Repayable in more than five years	**1,712,401**	-	1,747,882	-
	2,200,571	-	2,143,301	5,393
Less: included in creditors amounts falling due within one year	**(53,006)**	-	(34,817)	(5,393)
	2,147,565	-	2,108,484	-

During the financial year the Group has made several restatements of prior period. For further information refer to note 4.

21. Creditors: amounts falling due after more than one year (continued)

Senior debt

The senior debt facilities above are secured under a number of debenture deeds. Under the terms of the debentures, the finance providers have security by way of a first legal mortgage over all estates or interests in any freehold or leasehold properties and buildings, finance receivable assets and fixtures on those properties.

Senior secured notes

On 5 March 2013 a Group subsidiary, UPP Bond 1 Issuer PLC, issued £307,100k of fully-amortising fixed-rate senior secured notes and £75,000k of fully-amortising RPI index-linked senior secured notes, listed on the Irish Stock Exchange. The proceeds of this issuance were on-lent on the same terms and conditions to six fellow Group companies to enable them to repay their previous bank facilities and associated costs.

The fixed-rate senior secured notes are fully-amortising by 2040 and bear interest at 4.9023%, with repayments commencing on 30 August 2013.

The index-linked senior secured notes are fully-amortising by 2047 with a real interest rate of 2.7291%, increasing semi-annually by RPI. The notional amount of these notes at issuance was £75,000k and repayments are scheduled to commence in August 2038.

On 9 December 2014, UPP Bond 1 Issuer PLC issued £149,700k of fully-amortising index-linked senior secured notes, also listed on the Irish Stock Exchange. Proceeds of this issuance were on-lent on the same terms and conditions to a fellow Group undertaking to enable that company to repay its short-term senior bank facility and associated costs.

The senior secured notes issued are secured against the assets of UPP Bond 1 Issuer PLC and the other wholly-owned subsidiaries of UPP Bond 1 Limited.

Senior index-linked debt

On 14 October 2013, a Group subsidiary entered into an RPI index-linked senior facility. The facility is fully-amortising by August 2056 with a real interest rate of 2.322% increasing semi-annually with RPI. The notional amount of this facility was £40,497k and repayments commenced in February 2016.

On 4 July 2014, a Group subsidiary entered into an RPI index-linked senior facility. The facility is fully-amortising by August 2057 with a real interest rate of 1.792% increasing semi-annually with RPI. The notional amount of this facility was £113,816k and repayments commenced in February 2017.

On 7 April 2016, a Group subsidiary issued £67.3 million 1.030% RPI index-linked loan notes. The proceeds of this issuance were used to repay the existing senior bank debt funding. The loan notes are fully-amortising by August 2049 with a real interest rate of 1.0302% increasing semi-annually with RPI. The notional amount of this facility is £67,322k and repayments commenced on 28 August 2016

On 21 December 2016, a Group subsidiary entered into an RPI index-linked senior facility. The facility is fully-amortising by August 2062 with a real interest rate of 0.16% increasing semi-annually with RPI. The notional amount of this facility was £86,809k and repayments are scheduled to commence in February 2020.

On 25 May 2017, a Group subsidiary entered into an RPI index-linked senior facility. The facility is fully-amortising by August 2058 with a real interest rate of 0.45% increasing semi-annually with RPI. The notional amount of this facility was £127,636k and repayments are scheduled to commence in February 2020.

21. Creditors: amounts falling due after more than one year (continued)

Financial liabilities

On 5 February 2018, a Group subsidiary issued £63,000k of fully-amortising index-linked loan notes in two tranches. The facility is fully-amortising by August 2062 with a real interest rate of 0.207% - Tranche A and 1.203% - Tranche B, increasing semi-annually with RPI. The notional amount of this facility was £63,000k and repayments commenced in February 2018.

On 28 June 2018, a Group subsidiary issued £15,761k of fully-amortising index linked loan notes. The facility is fully-amortising by August 2065 with a real interest rate of 0.044% increasing semi-annually with RPI. The notional amount of this facility was £37,185k and repayments are scheduled to commence in February 2021. An amount of £21,424k remains undrawn as at 31 August 2018 and is scheduled to be fully drawn-down by 29 February 2020.

On 10 January 2019 a Group subsidiary issued £50,841,000 of fully amortising RPI index linked loan notes. The index linked senior loan notes are fully amortising by 2066 with a real interest rate of 0.2% increasing semi-annually by RPI. The notional amount of these notes at issuance was £50,841,000 and the principal amount repayable increases semi-annually by RPI. Repayments will commence February 2022.

On 28 February 2019 the LLP issued £10,546,000 of fully amortising RPI index linked loan notes. The index linked senior loan notes are fully amortising by 2065 with a real interest rate of 0.080% increasing semi-annually by RPI. The notional amount of these notes at issuance was £10,546,000 and the principal amount repayable increases semi-annually by RPI. Repayments will commence February 2021.

On 28 August 2019 the LLP issued £9,992,000 of fully amortising RPI index linked loan notes. The index linked senior loan notes are fully amortising by 2065 with a real interest rate of 0.100% increasing semi-annually by RPI. The notional amount of these notes at issuance was £9,992,000 and the principal amount repayable increases semi-annually by RPI. Repayments will commence February 2021.

On 28 August 2019 the LLP issued £39,939,000 of fully amortising RPI index linked loan notes. The index linked senior loan notes are fully amortising by 2066 with a real interest rate of 0.2% increasing semi-annually by RPI. The notional amount of these notes at issuance was £39,939,000 and the principal amount repayable increases semi-annually by RPI. Repayments will commence February 2022. An amount of £34,299k remains undrawn as at 31 August 2019 and is scheduled to be fully drawn by September 2020.

On 1 September 2019 a Group subsidiary issued £38,405,000 of fully amortising RPI index linked loan notes. The index linked senior loan note is fully amortised by 2066 with a real interest rate of 0.2% increasing semi-annually by RPI. The notional amount of these notes at issuance was £38,405,000 and the principal amount repayable increases semi-annually by RPI. Repayments will commence February 2022.

On 28 April 2020 a Group subsidiary issued £24,521,000 of fully amortising RPI index linked loan notes. The index linked senior loan note is fully amortised by 2066 with a real interest rate of 0.2% increasing semi-annually by RPI. The notional amount of this note at issuance was £24,521,000 and the principal amount repayable increases semi-annually by RPI. Repayments will commence February 2022.

These facilities above are secured under a number of debenture deeds. Under the terms of the debentures, the finance providers have security by way of a first legal mortgage over all estates or interests in any freehold or leasehold properties and buildings, finance receivable assets and fixtures on those properties.

21. Creditors: amounts falling due after more than one year (continued)

Non-recourse finance facilities

The finance providers only have recourse over the assets of the company or companies on which they are providing finance, with no recourse to other Group companies.

The key terms of the facilities are:

	Coupon rate	Final repayment dates
Fixed-term loan	13.15%	July 2022
Fixed through an IR swap	4.695%, plus margin until Sept 2017, 5.910% thereafter	September 2044
Inflation-linked loan	Real interest rate of 0.207% - Tranche A and 1.203% - Tranche B increasing semi-annually by RPI	August 2062

Secured subordinated loan notes

The subordinated loan note funding has been provided by Nottingham Trent University, the University of Reading and the University of London.

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 weighted average rate is 11.12% per annum for a weighted average period of 40 years. The final repayment dates on the subordinated loan notes range between August 2048 and August 2069.

Loans from parent company

The loans from parent company is provided by parent company UPP REIT Holding Limited to a wholly owned subsidiary company, UPP Group Limited. These loans bear interest at 12.75% and are repayable on March 2023. These funds were utilised to invest in subsidiary undertakings.

22. Called up share capital

	31 August Group and Company 2020	31 August Group and Company 2019
	£'000	£'000
Issued, allotted, called up and fully paid		
7,476,506 (2019 – 7,476,506) 'A' Ordinary shares of £1 each	7,476	7,476
845 (2019 - 845) 'C1' Ordinary shares of £1 each	1	1
	7,477	7,477

The Company has authorised 7,476,506 'A' ordinary shares which have one vote for every share and are entitled to receive any dividends out of the profits of the Company available for distribution.

The Company has authorised 845 'C1' Ordinary shares which carry no voting or dividend rights.

23. Reserves

Revaluation reserve

The reserve is used to record the surplus or deficit arising on valuation of the principal asset of the Group as well as the deferred tax liability arising on any chargeable gains if the associated property were to be sold at the balance sheet date.

Share premium

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

Other reserve

The other reserve contains credits associated with merger relief, group reconstruction relief and differences arising on acquisition accounting where the Group has acquired and increased its stake in its subsidiary undertakings.

Capital reserve

The £1,943k of capital contributions relate to benefits assigned by The Alma Mater Fund LP who retain the risks associated with the benefits. These have been received in cash and are non-refundable. £9,964k relates to capital contributions made by the previous shareholders of the Group to fund the liabilities previously accrued under the long term incentivisation scheme are the contingent consideration that arose on the purchase of shares in UPP Projects Limited in 2008. All of these contributions have been received in cash and are non-refundable. £6,348k of the capital contributions relate to subordinated debt acquired by the group on September 2012 from Barclays European Infrastructure Fund II LP, again a previous shareholder.

Cash flow hedge reserve

Cash flow hedge reserve records the fair value movements on the derivative financial instruments and the deferred tax associated with these.

Profit and loss account

The reserve consists of current and prior year profit and loss.

24. Retirement benefit schemes

Defined contribution scheme

The Group operates a defined contribution retirement benefit scheme for all employees, complying with auto enrolment legislation from October 2013. The total cost charged to the profit and loss account of £1,413,000 (2019: £2,086,000) represents a pre-determined amount of the employee's salary paid into the scheme. As at 31 August 2019 £nil (2018: £nil) contributions remained outstanding.

Defined benefit scheme

Retirement benefits for 56 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.

Contributions are set every three years as a result of the actuarial valuation. The next contribution is being carried out at 31 March 2022 setting out contributions for the period from 1 April 2023 to 31 March 2026. There are no minimum funding requirements but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions.

The material assumptions used by the Actuary were as follows:

	2019	2018
Rate of inflation	**2.4%**	3.2%
Rate of increase in salaries	**3.4%**	3.8%
Rate of increase in pensions	**2.4%**	2.3%
Discount rate for liabilities	**1.6%**	1.8%%

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement at age of 65 are:

	31 August 2020 Years	31 August 2019 Years
Retiring today		
Males	**21.8**	21.7
Females	**24.4**	24.4
Retiring in 20 years		
Males	**23.2**	23.3
Females	**25.9**	26.2

Amounts recognised in the income statement are as follows:

	31 August 2020 £'000	31 August 2019 £'000
Service cost	**69**	88
Net interest on the defined liability	**33**	38
Administrative expenses	**1**	1
	103	127

24. Retirement benefit schemes (continued)

Amount taken to other comprehensive income is as follows:

	31 August 2020 £'000	31 August 2019 £'000
Return on scheme assets in excess of interest	**56**	69
Other actuarial gains / (losses) on assets	**(80)**	-
Change in demographic assumptions	**53**	260
Experience gain / (loss) on defined benefit obligation	**17**	-
Change in financial assumptions	**(284)**	(652)
Re-measurement of the net assets / (defined liability)	**(238)**	(323)

The amount included in the statement of financial position arising from the Group's obligations in respect of its defined benefit scheme is as follows:

	31 August 2020 £'000	31 August 2019 £'000
Present value of the defined benefit obligation	**(5,529)**	(5,328)
Fair value of scheme assets	**3,352**	3,446
Net defined benefit liability	**(2,177)**	(1,882)

Defined benefit obligation reconciliation is as follows:

	2020 £'000	2019 £'000
At 1 September	**5,328**	4,824
Current service cost	**69**	64
Interest cost	**94**	124
Change in financial assumptions	**284**	652
Change in demographic assumptions	**(185)**	(110)
Experience gain on defined benefit obligation	**(53)**	(260)
Estimated benefits paid net of transfers in	**(17)**	-
Past service cost	**-**	24
Contributions by scheme participants	**9**	10
At 31 August	**5,529**	5,328

Reconciliation of fair value of the scheme assets is as follows:

	2020 £'000	2019 £'000
At 1 September	**3,446**	3,329
Interest on assets	**61**	86
Return on assets less interest	**56**	69
Other actuarial gains	**(80)**	-
Employer contributions	**55**	73
Administration expenses	**(1)**	(1)
Benefits paid	**(185)**	(110)
At 31 August	**3,352**	3,446

24. Retirement benefit schemes (continued)

The actual return on scheme assets was £117,000 (2019: £155,000).

The estimated asset allocation of the scheme as at 31 August 2020 is as follows:

	31 August 2020		31 August 2019	
	%	*£'000*	*%*	*£'000*
Equities	**60**	**2,009**	62	2,149
Government bonds	**4**	**130**	3	113
Other bonds	**9**	**288**	9	297
Property	**13**	**442**	13	455
Cash	**4**	**132**	3	101
Other	**10**	**352**	10	331
Total fair value of scheme assets (bid value)	**100**	**3,361**	100	3,446
Present value of scheme liabilities		**(5,529)**		(5,328)
Net deficit		**(2,177)**		(1,882)

The estimated amounts of contributions expected to be paid to the scheme during the 2021 financial year is £47,000 (2020: £nil).

Sensitivity analysis on the major assumptions is presented below:

	£'000	£'000	£'000
Adjustment to discount rate	+0.1pp	none	-0.1pp
Present value of total obligation	5,437	5,529	5,623
Projected service cost	71	73	75
Adjustment to long term salary increase	+0.1pp	none	-0.1pp
Present value of total obligation	5,536	5,529	5,522
Projected service cost	73	73	73
Adjustment to pension increases and deferred revaluation	+0.1pp	none	-0.1pp
Present value of total obligation	5,615	5,529	5,445
Projected service cost	75	73	71
Adjustment to life expectancy assumptions	+1 year	none	-1 year
Present value of total obligation	5,793	5,529	5,286
Projected service cost	76	73	70

25. Equity-settled share-based payments

On 1 December 2018, the Group introduced a new share-based payment scheme for the Executive Leadership Team as a part of its remuneration package. This programme was introduced by UPP Group Holdings Limited. New shares in UPP Group Holdings Limited, under the programme, will vest if certain conditions including a defined growth in the valuation of the business are met. In addition, participants in this programme must be employed until the end of agreed vesting periods. After the end of the long term incentive plan term each participant will have the option to sell their vested shares, at a price based upon the valuation of the business at that time.

The key terms and conditions related to the grant under this programme are as follows:

Grant date:	1 December 2018
End date:	31 August 2021
Employees entitled:	Executive Leadership Team
Instruments granted:	845 shares of UPP Group Holdings Limited
Fair value at grant date:	£523.9 per share
Expected volatility:	58%
Expected life:	2.75 years
Expected dividends:	nil

Vesting date	Amount	Conditions
1 September 2019	10% of shares vesting	Service until 1 September 2019 and minimum increase in business valuation of 10.5%
1 September 2020	15% of shares vesting	Service until 1 September 2020 and minimum increase in business valuation of 10.5%
1 September 2021	75% of shares vesting	Service until 1 September 2021 and minimum increase in business valuation of 10.5%

On 1 December 2018, each participant in the scheme purchased shares based on the market value price calculated as at that date. There were 845 shares issued at a nominal of value £1 each and an unrestricted market value of £524 per share (the total value of shares issued was £443k). Each participant also received an interest-free loan of the amount equal to the value of the shares bought. The loans are repayable when the participant sell their shares or earlier if a participant ceases employment with the business.

The long-term incentive plan covers three financial years and will end at 31 August 2021.

Measurement of fair value

The fair value of the long term incentive plan has been measured using a probability-weighted expected-returns methodology. Additional discounts for any lack of control over shares and lack of marketability (recognising the non-marketable uninfluential minority nature of the shares) were applied. The valuation estimate is based on three long cash flow forecasts (base, low and high scenarios). Cash flow forecasts have been developed for each component of the business, taking into account a range of value drivers including:

- Individual occupancy
- RPI
- Rent levels
- Other revenue and operating costs assumptions

These forecasts have been discounted at the Group's estimated cost of equity.

The spread of outcomes of the base, low and high scenarios has been weighted by probability, which management believe captures the potential variation in their business plan.

26. Parent undertaking and controlling party

UPP Group Holdings Limited is wholly owned by UPP REIT Holdings Limited, a company registered in Jersey. The shareholding in UPP REIT Holdings Limited is 60% owned by PGGM Infrastructure Fund ("PGGM"), on behalf of their pension fund clients. This entity is incorporated in The Netherlands.

The ultimate controlling party is PGGM.

The largest group of which the Company is a member and for which group accounts are prepared is UPP REIT Holdings Limited. Copies of the UPP REIT Holdings Limited accounts can be obtained from www.upp-ltd.com, once they have been published.

The smallest group to consolidate these financial statements is UPP Group Holdings Limited.

27. Related party transactions

As at 31 August 2020 the directors consider that during the year UPP REIT Holdings Limited, Nottingham Trent University, University of Reading, University of London and University of Hull are the only related parties of the Group.

During the year Group lent £1,022,000 to UPP REIT Holdings Limited by way of an interest free loan that is repayable on demand (2019: £8,030,000).

During the year the Group incurred costs of £264,000 (2019: £444,000) in respect of services provided by Nottingham Trent University in respect of UPP (Clifton) Holdings Limited and UPP (Byron House) Holdings Limited. An amount of £8,781,000 (2019: £2,887,000) remains outstanding at the balance sheet date. An amount of £4,788,000 (2019: 518,000) is included within creditors falling due within one year. An amount of £3,446,000 (2019: £3,998,000) is included within creditors falling due after one year. During the year the Group received income of £11,471,000 (2019: £11,031,000) in respect of services provided by these companies to the university. An amount of £nil (2019: £24,000) remains outstanding at the Balance Sheet date.

During the year the Group incurred costs of£2,223,000 (2019: £2,166,000) in respect of services provided by the University of Reading and received income of £30,437,000 (2019: £29,985,000) in respect of services provided to the university. An amount of £96,000 (2019: £964,000) remains outstanding at the balance sheet date and is included within debtors falling due within one year.

During the year the Group incurred costs of £143,000 (2019: £135,000) in respect of services provided by the University of London and received income of £16,212,000 (2019: £10,198,000) in respect of services provided to the university. An amount of £2,519,000 (2019: £2,519,000) remains outstanding at the balance sheet date and is included within creditors falling due after one year.

During the year the Group incurred costs of £252,000 (2019: £130,000) in respect of services provided by the University of Hull. An amount of £2,874,000 (2018: £2,645,000) remains outstanding at the balance sheet date. This is included within creditors falling due after one year.

During the year ended 31 August 2019 the Group has received capital contribution from its Shareholders PGGM and Okra Gee to the amount of £14,750,000. This has been exchanged for 33 ordinary shares of the nominal value of £1.

During the year ended 31 August 2019 the Group has paid a dividend of £8,000,000 to the shareholders.

UPP Group Holdings Limited
Notes to the financial statements (continued)
for the year ended 31 August 2020

28. Investments

The Company owns 100% of the issued share capital in UPP Group Limited.

Details of the trading subsidiaries in which UPP Group Limited holds 20% or more of the nominal value of any class of share capital (or effective interest in), and which are included within the consolidated results of these financial statements, are as follows:

Entity	Proportion	Shares held class	Nature of Business
UPP (Alcuin) Limited	100%	Ordinary	Student Accommodation
UPP (Lancaster) Holdings Limited	100%	Ordinary	Student Accommodation
UPP (Broadgate Park) Holdings Limited	100%	Ordinary	Student Accommodation
UPP (Nottingham) Limited	100%	Ordinary	Student Accommodation
UPP (Plymouth Three) Limited	100%	Ordinary	Student Accommodation
UPP (Kent Student Accommodation) Limited	100%	Ordinary	Student Accommodation
UPP (Loughborough Student Accommodation) Holdings Limited	100%	Ordinary	Student Accommodation
UPP Leeds Student Residences Limited	100%	Ordinary	Student Accommodation
UPP Loring Hall Limited	100%	Ordinary	Student Accommodation
UPP (Oxford Brookes) Limited	100%	Ordinary	Student Accommodation
UPP (Reading I) Holdings Limited	80%	Ordinary	Student Accommodation
UPP (Kent Student Accommodation II) Holdings Limited	100%	Ordinary	Student Accommodation
UPP (Clifton) Holdings Limited	80%	Ordinary	Student Accommodation
UPP (Exeter) Limited	100%	Ordinary	Student Accommodation
UPP (Byron House) Holdings Limited	80%	Ordinary	Student Accommodation
UPP (Kent Turing) Holdings Limited	100%	Ordinary	Student Accommodation
UPP (Cartwright Gardens) Holdings Limited	85%	Ordinary	Student Accommodation
UPP (Duncan House) Holdings Limited	85%	Ordinary	Student Accommodation
UPP (Hull) Holdings Limited	90%	Ordinary	Student accommodation
UPP (Swansea) Holdings Limited	100%	Ordinary	Student accommodation
UPP (Exeter 2) Holdings 1 Limited	100%	Ordinary	Student accommodation
UPP (Exeter 2) Holdings 2 Limited	100%	Ordinary	Student accommodation
UPP (East Park) Holdings 1 Limited	100%	Ordinary	Student accommodation
UPP (East Park) Holdings 2 Limited	100%	Ordinary	Student accommodation
UPP (Swansea 2) Holdings 1 Limited	100%	Ordinary	Student accommodation
UPP (Swansea 2) Holdings 2 Limited	100%	Ordinary	Student accommodation
UPP Bond 1 Issuer plc	100%	Ordinary	Provision of senior secured bond funding
UPP Projects Limited	100%	Ordinary	Partnerships development for the provision of student accommodation
UPP Residential Services Limited	100%	Ordinary	Provision of facility management services
UPP Group Limited	100%	Ordinary	Holding company
UPP (MidCo) Limited	100%	Ordinary	Holding company

The proportion of voting rights held is in line with the proportion of shares held.

29. Notes to the statement of cash flows

a) Cash and cash equivalents comprise the following:

	At 31 August 2020 £'000	At 31 August 2019 £'000
Cash at bank and in hand	**138,777**	214,001
Short term deposits	**49,298**	17,338
Cash and cash equivalents	**188,075**	231,339

b) Significant non cash transactions

There were no significant non cash transactions during the year ended 31 August 2020 and 31 August 2019.

30. Non-controlling interests

The movement in non-controlling interests was as follows:

	2020 £'000	2019 £'000
At 1 September	**6,042**	7,504
Total comprehensive income attributable to noncontrolling interests	**6,348**	(1,462)
At 31 August	**12,391**	6,042

31. Financial risk management

The use of financial instruments is managed under policies and procedures approved by the Board. These are designed to reduce the financial risks faced by the Group, which relate to interest, inflation and liquidity risks as well as demand and portfolio risk which arise in the normal course of the Group's business.

Interest rate risk

The Group finances its operations through a mixture of equity, bank borrowings and secured listed bond notes. The Group exposure to interest rate fluctuations on its bank borrowings is managed by the use of fixed-rate debt and IR swaps which fix variable interest rates for a period of time.

When the associated bank borrowings are fully repaid the Group may be required to terminate the IR swaps earlier than they mature and may become liable to pay penalties. When this occurs the cost of this termination is taken to the profit and loss account on termination.

31. Financial risk management (continued)

As at 31 August 2020 and 31 August 2019 the Group has entered into the following IR swaps with external parties:

- an IR swap with UPP (Loughborough) Limited, of £24,816k nominal amount, commencing in June 2009 and finishing in June 2039
- an IR swap with UPP (Loughborough) Limited, of £24,816k nominal amount, commencing in December 2010 and finishing in June 2039
- an IR swap with UPP (Lancaster) Limited, of £176,248k nominal amount, commencing in November 2010 and finishing in March 2042
- an IR swap with UPP (Clifton) Limited, of £33,097k nominal amount, commencing in November 2012 and finishing in May 2039
- an IR swap with UPP (Kent Student Accommodation II) Limited, of £19,690k nominal amount, commencing in October 2010 and finishing in August 2041
- an IR swap between UPP Leeds Student Residences Limited, of £24,944k nominal amount, commencing in June 2008 and finishing in August 2044

The Group adopts hedge accounting for all of the interest rate swaps noted above.

The hedge ineffectiveness can arise from:

- Differences in the timing of the cash flows of the hedged items and the hedging instruments;
- Changes to the forecasted amount of cash flows of hedged items and hedging instruments.

Inflation rate risk

The Group funds its financing activities through the provision of student accommodation and rental income received on this accommodation. Growth in rental income is linked to the movement in RPI and the Group manages the exposure to this index through a mix of inflation-linked debt and the use of RPI swaps to hedge a portion of the fixed-rate debt servicing costs.

To mitigate the impact of inflation movements on future rental income, UPP Bond 1 Issuer PLC, a fellow Group undertaking, has entered into RPI swaps with external counterparties all initially entered into on 5 March 2013, details of which are as follows:

Hedge arrangements with external parties as at 31 August 2020 and 31 August 2019 are as follows:

- a 27-year RPI swap with £255k nominal amount, commencing in February 2014 and finishing in February 2040
- a 27-year RPI swap with £255k nominal amount, commencing in February 2014 and finishing in February 2040
- a 27-year RPI swap with £255k nominal amount, commencing in August 2013 and finishing in February 2040

The notional amounts swapped for each year have been determined with reference to a percentage of the fixed-rate bond servicing costs and split equally over the hedge counterparties. On each of these swap arrangements the hedge counterparty pays or receives a fixed amount and the Company pays or receives a floating amount.

These instruments are mirrored with matching derivative instruments on–lent to six subsidiary undertakings as follows:

- a 25-year RPI swap with UPP (Alcuin) Limited with payments/receipts commencing in February 2015 and finishing in August 2038, £1,004k nominal amount
- a 27-year RPI swap with UPP (Broadgate Park) Holdings Limited with payments/receipts commencing in February 2015 and finishing in February 2040, £1,752k nominal amount
- a 27-year RPI swap with UPP (Kent Student Accommodation) Limited with payments/receipts commencing in February 2015 and finishing in February 2040, £624k nominal amount
- a 27-year RPI swap with UPP (Nottingham) Limited with payments/receipts commencing in February 2015 and finishing in February 2040, £1,784k nominal amount
- a 26-year RPI swap with UPP (Oxford Brookes) Limited with payments/receipts commencing in February 2014 and finishing in August 2039, £765k nominal amount
- a 27-year RPI swap with UPP (Plymouth Three) Limited with payments/receipts commencing in February 2015 and finishing in February 2040,£1,374k nominal amount

31. Financial risk management (continued)

In addition the Group has entered into four additional interest rate swaps with external parties as follows:

- a 30-year RPI swap with UPP (Loughborough) Limited, of £454k nominal amount, commencing in June 2009 and finishing in June 2039
- a 29-year RPI swap with UPP (Loughborough) Limited, of £454k nominal amount, commencing in December 2010 and finishing in June 2039
- a 32-year RPI swap with UPP (Lancaster) Limited, of £2,567k nominal amount, commencing in November 2010 and finishing in March 2042
- a 27-year RPI swap with UPP (Clifton) Limited, of £603k nominal amount, commencing in November 2012 and finishing in May 2039
- a 31-year RPI swap with UPP (Kent Student Accommodation II) Limited, of £873k nominal amount, commencing in October 2010 and finishing in August 2041

RPI swaps are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged.

Due to limitations on the application of hedge accounting, three of the RPI swaps noted above - at UPP (Kent Student Accommodation) Limited, at UPP (Plymouth Three) Limited and UPP (Kent Student Accommodation II) Limited – do not qualify for hedge accounting as the hedged item does not meet the qualifying criteria of being separately-identifiable and reliably-measurable and as a result any changes in fair values of the derivatives are recognised through the profit and loss and therefore introduce some volatility to the profit and loss. The reasons for entering into RPI swaps remain commercially-sound - that is they are intended to reduce volatility in the Group's cash flows.

For swaps that are in hedging relationship the hedge ineffectiveness can arise from:

- Differences in the timing of the cash flows of the hedged items and the hedging instruments
- Changes to the forecasted amount of cash flows of hedged items and hedging instruments

Liquidity risk

The Group seeks to manage liquidity risk by ensuring sufficient liquidity is available to meet foreseeable needs and debt servicing and by investing cash assets safely and profitably. The maturity of borrowings is set out in note 21 to the financial statements.

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 partners and ensuring up to date in depth market analysis is completed each year to enable the Group to review its strategic position.

Demand risk

The Group is subject to risks arising from occupancy voids and lack of 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.

32. Financial instruments

The carrying amounts of financial instruments by categories shown in the statement of financial position are as follows:

Group	Carrying amount At 31 August 2020 £'000	Restated Carrying amount At 31 August 2019 £'000
Financial assets		
Financial assets measured at fair value:		
Derivative financial assets	**965**	-
Financial assets measured at amortised cost:		
Finance receivable	**146,568**	108,598
Amounts owed by related parties	**11,991**	12,883
Trade debtors	**1,819**	2,151
Other debtors	**1,639**	905
Total financial assets	**162,982**	**124,538**
Financial liabilities		
Financial liabilities measured at amortised cost:		
Senior bank debt	**552,249**	554,168
Senior secured notes	**492,864**	500,185
Senior index linked debt	**644,626**	581,847
Loan from parent company	**201,856**	185,887
Non-recourse bank finance	**80,162**	80,801
Secured subordinated loan notes	**31,745**	29,785
Trade creditors	**10,367**	14,640
Secured subordinated bridge funding loan notes	**-**	-
Related party creditors	**2,969**	1,821
Other creditors	**1,136**	250
Total financial liabilities measured at amortised cost	**2,017,974**	**1,949,384**
Financial liabilities measured at fair value		
Derivative financial liabilities	**180,598**	210,628

32. Financial instruments (continued)

The Group chooses to adopt hedge accounting for all its derivative financial instruments which meet the qualifying criteria for hedge accounting and reflect all movements in the fair value of these derivative financial instruments, plus the associated movement in deferred tax are accounted through the cash flow hedge reserve as follows:

	31 August 2020 £'000	Restated 31 August 2019 £'000
Fair value of derivatives used for hedging		
Creditors: amounts falling due after one year	(176,894)	(202,765)
Debtors: amounts falling due after one year	965	-
Movement in fair value of derivatives used for hedging		
Recognised profit/(loss) through OCI:		
Owners of the parent	27,752	(47,629)
Non-controlling interest	(915)	(907)
Fair value of derivatives not used for hedging		
- -		
Debtors: amounts falling due after one year	(3,703)	(7,863)

4,160 (3,007)

During the financial year the Group has made several restatements of prior period. For further information refer to note 4.

33. Financial commitments

At 31 August 2020 the Group had an amount of £32,523,000 (2018: £97,142,000) commitments contracted for but not provided for at that date. This related to ongoing construction of rooms of student residential accommodation.

At 31 August 2020 the Group had future minimum lease payments under non-cancellable operating leases as follows:

Operating leases which expire:	Year ended 31 August 2020 Land and buildings £'000	Year ended 31 August 2019 Land and buildings £'000
Not later than one year	120	486
After one year but not more than five years	-	120

During the year £603,000 (2019: £603,000) of lease payments were recognised as expense.

At 31 August 2019 the Group had no financial commitments other than the operating lease set out above.