

Registered No: 05016028

UPP Group Holdings Limited
Report and consolidated financial statements

For the year ended 31 August 2021

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UPP Group Holdings Limited

Strategic report

for the year ended 31 August 2021



The directors present their report for the year ended 31 August 2021.

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 £8 million (4 per cent) to £193 million, with new rooms becoming operational and contractual rental increases being applied across the portfolio. EBITDA was flat versus 2021 at £94 million. The operational performance of the Group remained strong, achieving 98.0% occupancy for the financial year end 31 August 2021 and 99.5% occupancy projected for the financial year ending 31 August 2022.

At the beginning of the financial year during September of 2020, UPP celebrated the successful handover of three 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 and provides a further 381 new high-quality rooms. The scheme was funded with index-linked bond debt from Pension Insurance Corporation (PIC), the specialist insurer of defined benefit pension funds, with a debt tenor of 47 years. UPP Group and its shareholders will invest £4.2 million of subordinated debt and equity.

UPP also delivered the first phase of its £139.7 million deal on the East Park at the same university, delivering a further 604 high quality bedrooms. Phase two of the development – a further 578 rooms - were programmed for completion ahead of the academic year 2021/22. Once again, the development was funded by £125.1 million of index-linked debt financing with a tenor of circa 48 years from Pension Insurance Corporation plc (PIC) with UPP Group and its Shareholders providing £14.6 million of subordinated debt and equity. PIC's investment in East Park is the sixth it has completed with UPP on a bilateral basis, taking the total it has invested directly in UPP schemes to circa £530 million – further evidence that student accommodation remains a resilient asset class for investors.

The letting cycle ahead of the financial year 2020/21 was impacted by the disruption caused by the COVID-19 pandemic. The cancellation of exams across the UK and the introduction of centre assessment grades (CAG) led to a situation where 165,725 UCAS applicants received a grade higher than they were initially awarded. This in turn saw an increase in the number of students placed at their original firm choice university, up from 80.8% to 84.5% of 18-year-olds. As a result, acceptances increased by 4.5% on 2019/20 and the UCAS clearing process proved far quieter than typical years. Universities proved successful at accommodating the redistribution of students and this generated strong demand for residential accommodation. On this basis, and despite the uncertainties created by the continuing pandemic, overall occupancy stood at 98.0% (99.1% 2019/20).

UPP Group Holdings Limited

Strategic report (continued)

for the year ended 31 August 2021



The year saw continuing disruption to normal teaching and research activities across the sector. Whilst a number of institutions decided that they would resume only remote on-line learning, the majority returning to face to face teaching put in place a significant number of safety measures such as regular asymptomatic testing, additional cleaning, support for self-isolating students and adherence to guidance on ventilation and face coverings. In line with Government guidance, UPP also continued to ensure that its accommodation was COVID secure. This included secure check-in processes, deep cleaning of rooms, additional cleaning kits in each cluster flat, one way systems, more regular cleaning of frequent touch points. With more than 150 trained mental health first aiders and 85% of frontline teams trained in mental health and suicide awareness, UPP continued to focus on supporting residents, ensuring that students continued to benefit from student experience initiatives, with a significant proportion delivered by its student facing app platform. In England, the term saw a “circuit breaker” four week lockdown starting on 5 November 2020 followed by a further full lockdown between January and April 2021.

Within this context, on 15 January 2021 S&P Global Ratings issued a Rating Action Overview of the 10 student accommodation projects for which it provides rating in the UK. In the overview it affirmed that it was revising to negative from stable the outlooks on its underlying ratings for debt issued by a further six projects and reaffirming its earlier decision to revise the rating for the notes of UPP Bond 1 Issuer PLC to BBB+ (negative) from A-(stable). The rationale for the decision recognised that demographic projections, accommodation location, the academic reputation of institutions, collaboration between the parties and project nomination agreements represented a material credit support.

However, S&P argued that there was a greater risk of certain universities choosing not to nominate 100% of available rooms on the basis of institutions absorbing the cashflow impact of a material decline in actual occupancy – which they note in some cases ranged between 50% and 85% expected revenue. In this scenario, projects may become exposed to potentially weaker cashflow generation. In addition, they felt that there would be challenges for those projects exposed to international and postgraduate demand, where there was a risk of programmes being postponed and/or on the basis of continuing travel restrictions. Whilst, the Overview recognised the credit positive aspects of future domestic and international demand it was concerned that the pandemic could change the structure of some academic courses and students preferences for accommodation, which in turn could impact on expected project cashflows, realising RPI increases to rent, and long term lifecycle budgets.

The Company responded to the initial downgrade and change in outlook, during the previous financial year in a note published on its Investor Centre on 24 April 2020. The Company said at the time that it believes 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 saw no basis for negative revisions to long-term assumptions. The Company remain of the view that its business model is robust and well positioned to continue delivering strong operational performance.

The S&P Rating Action Overview follows a review of UPP Bond 1 Issuer PLC by Moody's Investors Service at the end of the previous financial year during August 2020. At the time, 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. Moody's noted that this reaffirmation reflected the strength of the contractual arrangements between the partners with Term Three rent payments being paid in full for the financial year 2019/20; the 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 passes the distribution lock-up test of 1.15x).

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Strategic report (continued)

for the year ended 31 August 2021



Also in January, alongside our colleagues in the Executive Leadership Team, we launched the Company's new business strategy – "Building Futures". UPP is in an enviable position, with its long-term relationships with 15 leading universities and by typically being located at the heart of campus. In the context of an ever-evolving sector our purpose is to reinvent the way students live and learn at university, by transforming the campus experience. Our vision is to be the leading infrastructure and services partner to UK universities on the basis of delivering next generation campuses. In practical terms, the Company will renew its focus on preserving and growing the value of the business based on the quality of its partnerships, harnessing innovation across all parts of the business and delivering the best services to our student residents.

In March 2021 the Company was delighted to announce that it had been awarded Gold accreditation by We Invest in People (WliP). This award, achieved by only a small number of companies, reflects the Company's ongoing commitment to making UPP a great place to work for our team of around 1,000 people. WliP represents organisations across 66 countries and has made work better for more than 11 million people. Successful accreditation at Gold level is the sign of a great employer and a great place to work with a clear commitment to sustained success through people.

Also in March, the UPP Foundation – the independent charity established by UPP in 2016 - established the Student Futures Commission. Chaired by the former CEO of UCAS, Mary Curnock Cook, the Commission is a major new inquiry to look at how, in light of the disruption everyone has faced during the pandemic, universities can take action to support students from September 2021 to make the best of their remaining time at university and support those who are starting their journey in higher education this year. It will seek to discover approaches that will help get students' success back on track from September 2021 and specifically considering what additional support needs to be put in place for students – both academically but also more widely in terms of the living and learning experience.

In July, UPP also announced that the Royal Society for the Prevention of Accidents (RoSPA) had awarded UPP its prestigious 'Gold RoSPA Award' in recognition of its excellent health and safety standards – for a fourth consecutive year. The RoSPA Awards scheme is the longest-running industry programme in the UK and receives entries from organisations around the world. It recognises organisations with an ongoing commitment to health and safety management systems, including practices such as leadership and workforce involvement.

Shortly following the financial year end, during September 2021, UPP reached practical completion on the second and final phase of the East Park project at the University of Exeter. Residents moved into the 578 new high-quality rooms located on the University's Streatham Campus. Both phases of the scheme were completed by VINCI Building. UPP designed, built and financed the project, which it will now operate through a full facilities management service, with the scheme achieving a BREEAM Excellent rating. UPP now operate over 4,100 rooms on the University's campus. The completion of East Park boosts UPP's portfolio to over 36,000 rooms in operation or under construction through long-term, bespoke partnerships with 15 world-leading universities.

Other Company announcements during the financial year included;

- During October 2020 the Company announced that the Group had completed the negotiation on a £35 million revolving loan facility with the London branch of ING Bank N.V. Acting as arranger, agent, issuing bank and lender, ING – which has an existing relationship with the UPP's majority shareholders, PGGM, will provide the facility which will be utilised for general corporate purposes, provide working capital to UPP and for financing new investments. With a facility term of 36 months, the facility represents the first corporate-level debt raise for the Company and brings a new bank in to the Company's capital structure. Securing this facility will further enhance UPP's robust financial and liquidity position

UPP Group Holdings Limited

Strategic report (continued)

for the year ended 31 August 2021



- In terms of key changes to the Executive Leadership Team, also 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 with immediate effect as part of a restructure of the Company'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 and the Managing Director UPP Management as part of a streamlined Executive Leadership Team. In May 2021, Andrew Percival Managing Director UPP Projects also left the business to pursue other opportunities after five years with at UPP.
- During April, UPP REIT Holdings Limited also announced the appointment of Kate Owen as Chief Marketing Officer and a member of its Executive Leadership Team. Kate was appointed to lead UPP's marketing and communications strategy and is be responsible for corporate marketing and brand management, corporate affairs, public relations and employee communications. She is also helping to drive forward the Group's commitment to ESG. Kate has a wealth of experience across multiple sectors and has previously worked across both B2B and B2C marketing in business leading roles with major brands. Prior to joining UPP in 2021, Kate was Marketing Director at Capita plc, where she was responsible for strategic marketing and communications campaigns across multiple sectors.
- Shortly after the financial year end the Company appointed Karen Morgan as Business Development Director. Karen has worked in the Public-Private Partnership sector since 2002 and specifically business origination for the last 15 years. Karen is responsible for the Company's bidding and transaction activities working with a multi-disciplinary team to design build and finance campus assets. Before joining UPP, Karen spent seven years in senior roles as part of the social infrastructure new business team at Balfour Beatty Investments. Here she led bid teams to secure new business under the Government's Building Schools for the Future, as well as student accommodation transactions.

In summary, whilst the pandemic continues to present challenges, UPP's business model is robust and it is well positioned to continue to deliver strong operational performance from a portfolio of assets that are central to the operations of its university partners.

General Overview

Despite the considerable financial, competitive and operational challenges faced by UK higher education the sector maintains its position as the leading global destination for students after the USA. Projections for demand for tertiary level qualification in OECD and G20 countries continues to appear robust, as do trends in the numbers of UK 18 year olds over the next decade. UCAS applicant data issued following the 30 June 2021 main scheme deadline identifies continued growth in demand of 4% overall or the equivalent of more than 30,000 extra applicants on the previous cycle.

The deadline saw applications from a record number of prospective students with approximately 682,000 applicants seeking places for the academic term 2021/22. Applicant numbers from the UK were up for the third consecutive year by 7%, an increase of 37,600 on the 2020/21 cycle, however post-BREXIT, applicant numbers from EU countries fell sharply by 43.3% the equivalent of 21,250 students. The number of applicants from outside the EU witnessed strong growth at 14%, an increase of 12,870 new prospective international students.

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Strategic report (continued)

for the year ended 31 August 2021



A further positive sign for residential demand, saw a continuation of the increasing rate of application from 18-year-olds. This cohort has seen year on year increases over the last decade from 33.3% in 2012 to 40.5% in 2020. This figure increased again during the 2021 cycle to 43.3% of the 18-year-old population. This is positive news for the Company as this is by far the largest demand cohort for its accommodation. The chart below identifies the demographic trend in the number of 18-year-olds in England relative to full time enrolments.

One of the many impacts of the COVID-19 pandemic was the continued disruption of annual exam cycles. For the second year in a row the Government took the decision to utilise centre assessment grades, as the method for agreeing results ahead of the academic year 2021/22. This led to 174,000 students receiving a grade increase and a record number of students being accepted to their first choice of university - 395,770 students receiving an acceptance from their firm choice, up 8% year on year. The result of achieving higher than expected grades a third (34%) fewer 18 year old students used the UCAS Clearing system 24,110 compared to 36,770 in the 2020 cycle.

Subsequently, on the basis of UCAS sector level updates following Clearing, data suggested that there had been just a marginal decline in placed applicants of 2% overall to 507,610 in comparison to last year at the same stage of the cycle. In terms of the beneficiaries of increasing academic demand it continues to be those universities classified as high tariff that have seen placed applicant numbers increase. Placed applicants increased by 3% year on year to 175,920, with numbers at medium tariff universities falling by 3%. The number of placed applicants at lower tariff institutions fell by 4%.

Last year, the increase in those being placed in their firm choice impacted on other routes such as insurance placings and clearing, as less students require a second option at that stage. Overall insurance placings were down 2% year on year albeit that the measure of the central tendency smoothed an increase of 1% for UK students, an increase of 5% in the case of international students and a fall of 56% in EU students. Placed applicants seeking to defer were up by 6% to 31,070, however, this represents only 1,710 students. The composition of this group has been driven by an increase in UK applicants choosing to defer of 10%.

Early indications of demand for the academic term 2022/23 provide encouraging indications that trends in applicant numbers will continue to remain strong. The first comparable data point for the coming academic year, namely the 15 October deadline, identifies an overall increase of 1% in undergraduate applicants seeking to study at Oxford, Cambridge or medicine, dentistry or veterinary courses. In terms of domicile, applicant numbers from the UK increased by 3%, the equivalent of more than 1,770 extra students year on year. The number of UK 18 year olds who have applied by the deadline was up by 3% (39,920 vs 38,580), reflecting the 3% increase in total UK 18 year olds in the population in 2021. EU applicant numbers fell by 16% or 850 potential students. The number of international applicants remained at the same level as the 2020/21 term at 17,460 by the 15 October deadline, with demand from China particularly strong, with a 5% increase this year (4,570 this year vs 4,340 for 2021, following a 31% rise from 3,310 in 2020).

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

UPP Group Holdings Limited
Strategic report (continued)
for the year ended 31 August 2021



Principal risks and uncertainties

We are purposefully structured to manage the risks and uncertainties of investing in UK higher education infrastructure.

Risk	How we mitigate the risk
<p>Fire Safety and statutory technical compliance risk</p> <ul style="list-style-type: none"> Risk of injury to those living in or working at UPP accommodation. 	<ul style="list-style-type: none"> Continually monitoring compliance to systems and benchmarking through established audit and inspection regime undertaken by external parties and our own team. Appropriately experienced individuals complete surveys to identify any potential areas of improvement.
<p>Demand</p> <ul style="list-style-type: none"> Ongoing demand levels, competition for students and changing student expectations. Students may choose not to attend a partner university 	<ul style="list-style-type: none"> Enhanced direct and indirect marketing Competitor analysis to ensure awareness of and response to evolving markets Engagement with government and sector policy-makers to identify potential long-term occupancy risks and establish plans to mitigate Regular student satisfaction surveys to identify changing requirements
<p>Supply</p> <ul style="list-style-type: none"> Increasing alternative supply options in the student accommodation market. 	<ul style="list-style-type: none"> Investment in portfolio to ensure UPP offer remains attractive in comparison to alternatives Product innovation to ensure competitiveness Active asset investment management, performance review and bespoke plans to optimise sinking fund and additional investment funds to maintain accommodation in desirable condition

UPP Group Holdings Limited
Strategic report (continued)
for the year ended 31 August 2021



Risk	How we mitigate the risk
<p>Sustainability</p> <ul style="list-style-type: none"> Business risks arising from climate change 	<ul style="list-style-type: none"> Carbon reduction targets and plan developed and reported on at board level Through GRESB assessments we review our ESG performance against a broad range of criteria including energy, waste, greenhouse gas emissions, health & safety, environment, risk management, reporting and stakeholder engagement
<p>Policy Change</p> <ul style="list-style-type: none"> Policy changes with respect to how the sector is funded and the number of young people attending university 	<ul style="list-style-type: none"> On-going monitoring of legislative environment Assessment of impact of move to post qualification entry on lettings process Established thought leader in the UK HE sector working with government and policy making bodies to input and influence policy changes Work with the UPP Foundation to influence and inform sector research
<p>COVID-19 - Ongoing pandemic impact.</p> <ul style="list-style-type: none"> Potential impact on occupancy from further lockdowns and restrictions on travel affecting international students 	<ul style="list-style-type: none"> Maintain Covid controls in line with Government guidelines Early arrival quarantine facilities provided for international students Work collaboratively to support our partners through these challenges
<p>BREXIT</p> <ul style="list-style-type: none"> Reduced demand from EU students for UK university higher education offering due to increased tuition fees 	<ul style="list-style-type: none"> Brexit impact on occupancy not significant in 21/22 Working with industry bodies such as HEPI to understand quantum of risk and relevant actions we can undertake Support university partners in their marketing efforts that are directed towards EU students

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Strategic report (continued)

for the year ended 31 August 2021



Key financial performance indicators

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

	2020/2021 £'000	2019/2020 £'000
Turnover	229,723	254,302
EBITDA (Earnings before interest, tax, amortisation and depreciation)	88,781	93,904
Loss after tax	(31,813)	(2,096)

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.
- Loss after tax increased in 20/21 compared to the prior year due to higher interest costs.

Reconciliation of EBITDA to gross profit:

	2020/2021 £'000	2019/2020 £'000
Gross profit	128,887	124,701
Operating expenses	(56,642)	(48,994)
Other Operating Charges	(3,814)	-
Amortisation and depreciation	20,350	18,197
EBITDA	88,781	93,904

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Strategic report (continued)

for the year ended 31 August 2021



Section 172(1) Statement

The Companies (Miscellaneous Reporting) Regulations 2018 ('2018 MRR') require Directors to explain how they considered the interests of key stakeholders and the broader matters set out in section 172(1) (A) to (F) of the Companies Act 2006 ('S172') when performing their duty to promote the success of the Company under S172. This includes considering the interest of other stakeholders which will have an impact on the long-term success of the Company. The company is a subsidiary of UPP REIT Holdings Limited ('UPP'), therefore the interests of key stakeholders are assessed at the group level. This S172 statement, which is reported for the first time, explains how Directors of UPP REIT Holdings Limited ('UPP'):

- Have engaged with employees, suppliers, customers, regulators and others; and
- Have had regard to employee interests, the need to foster the Company's business relationships with suppliers, customers and others, and the effect of that, including on the principal decisions taken by the Company during the financial year.

The S172 statement focuses on matters of strategic importance to UPP and the level of information disclosed is consistent with the size and the complexity of the Business.

General confirmation of Directors' duties

The Board of UPP has a clear framework for determining the matters within its remit and has approved Terms of Reference for the matters delegated to its Committees. Certain financial and strategic thresholds have been determined to identify matters requiring Board consideration and approval. The Schedule of Delegation sets out the approval process across the broader business.

When making decisions, each Director ensures that he/she acts in the way he/she considers, in good faith, would most likely promote the Company's success for the benefit of its members as a whole, and in doing so have regard (among other matters) to:

S172(1) (A) "The likely consequences of any decision in the long term"

The Directors understand the business and the evolving higher education environment within which the Company operates. Established in 1998, UPP operates a long-term partnership model which involves a high degree of alignment between the success of our university partners and the sector more generally. Directors understand that it is their responsibility to operate residential accommodation in a sustainable manner, not simply to ensure that the asset can revert to the university in good order at the end of each concession, but more widely because it seeks to reduce the impact of our activities on the natural environment and its resources, as well as the communities within which it operates. The Company operates in one sector only and it is within that context that it seeks to increase long-term value for shareholders, recognising that the long-term success of our business is dependent on our stakeholders and the external impact of our business activities on society.

The Directors recognise how our operations are viewed by different parts of society and that some decisions they take today may not align with all stakeholder interests, however, we seek to actively engage with our stakeholders and articulate the basis of our decision making.

S172(1) (B) "The interests of the Company's employees"

The Directors recognise that UPP employees are fundamental and core to our business and the delivery of our strategic ambitions. The success of our business depends on attracting, retaining and motivating employees. From ensuring that we remain a responsible employer, from pay and benefits to our health, safety and workplace environment and wider wellbeing, the Directors factor the implications of decisions on employees and the wider workforce, where relevant and feasible.

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Strategic report (continued)

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S172(1) (C) “The need to foster the Company’s business relationships with suppliers, customers and others”

Delivering our strategy requires strong mutually beneficial relationships with our partners, customers, suppliers and Government. Our Business Code of Ethics has at its core our values – namely Partnership, Responsibility, Innovation and Community. Driven from the top of the Business, the behaviours expected of all our teams are underpinned by our policies and working procedures which are, in turn, designed to guide us in how we act with integrity, judgement and good conscience. The Business Code of Ethics is reviewed by the Executive Leadership Team periodically and assessments are made of how and with whom we do business. We engage directly with our university partners through Board meetings of our Special Purpose Vehicles (SPVs) and through Partnership Board meetings. This provides the opportunities to discuss and assess the needs of customers in the context of the wider business strategy.

The Company has engagement plans for all its stakeholders, with each relationship owned by one or more member of the Executive Leadership Team. These are “live” documents allowing the Company to respond as the needs of each stakeholder change over time. Directors receive information updates on a variety of topics that indicate and inform how these stakeholders have been engaged.

More detail on our Business Code of Ethics can be found on the UPP website at <https://www.upp-ltd.com/wp-content/uploads/2018/10/Our-Code-of-Business-Ethics.pdf>

S172(1) (D) “The impact of the Company’s operations on the community and the environment”

Sustainability sits at the heart of the UPP Business Strategy and the Company's values. Driven by the Executive Leadership Team, sustainability initiatives are a critical part of the operating model, enhancing the resilience of our assets and representing the responsible course of action both for the Company, our Shareholders - who have a long-term investment - and for wider society.

In developing the first university campus Eco-Residence in 2007 with Lancaster University and the first student residential PassivHaus scheme with Leeds Beckett University in 2009, the Company seeks to meet the environmental and social needs of its student communities. The Company also seeks to collaborate with our partner universities to share innovation and help them achieve their objectives, whilst engaging with employees and our supply chain will help facilitate a positive contribution to the communities within which we operate.

As part of the Company's wider Environmental, Social and Governance (ESG) activities, the impact of our operations is reviewed as an important element of the regular monthly meetings of the Executive Leadership Team and as part of quarterly meetings of the UPP Group Holdings Limited Board.

More detail on the Company's approach to sustainability <https://www.upp-ltd.com/wp-content/uploads/2020/03/UPP-Sustainability-Policy.pdf>

S172(1) (E) “The desirability of the Company maintaining a reputation for high standards of business conduct”

UPP has a vision to be the leading provider of campus accommodation working as a true partner to universities. Maintaining a reputation for high standards of conduct in a single sector represents a critical element to achieving this. All of the transactions undertaken by the Company are pursued on an open book basis and typically through tenders advertised via the Official Journal of the European Union (OJEU). All transactions are independently assessed on the basis of value for money and contract award notices (Standstill Letters) are open to challenge.

A clear framework of expectations in relation to business contact is in place and this is periodically reviewed and updated where required. These include published policies with respect to Anti-Bribery, Modern Slavery, Gifts and Hospitality and Code of Business.

The Board at UPP is informed and monitors compliance with these policies and relevant governance standards help assure that the decisions that are taken promote high standards of business conduct.

UPP Group Holdings Limited

Strategic report (continued)

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S172(1) (F) “The need to act fairly as between members of the Company”

The Directors of the Company actively consider which course of action is most effective at delivering the UPP Business strategy, after weighing all the relevant factors and with due consideration of the likely impact on stakeholders. In doing so, our Directors act fairly as between the Company's members, but are not required to balance the Company's interest with those of other stakeholders, and this can occasionally mean that the interests of certain stakeholders may not be fully aligned.

Culture

The Board at UPP recognises its critical role in assessing and monitoring that our desired culture – expressed in our values – is reflected in the attitudes and behaviours of our teams. Moreover, it understands its role in demonstrating these, both through the activities we pursue and stakeholder relationships. The Code of Business Ethics, Gifts and Hospitality and Anti-Bribery Policies help everyone at UPP to act in line with these values and comply with relevant laws and regulations.

UPP is committed to the health, safety and wellbeing of our teams and the Company has a broad ESG workstream designed to help protect people and the environment and the communities within which we work. We also strive to maintain a diverse and inclusive culture.

The Board considers the Company's annual Speak Out employee survey to be one of its principal tools to measure employee engagement, motivation, affiliation and commitment to UPP. It provides insights into employee views and has a consistently high response rate. The Board also utilises this engagement to understand how survey outcomes are being leveraged to strengthen the culture and values of UPP.

Stakeholder engagement (including employee engagement)

The Board recognises the important role that UPP has to play in society and the Company is deeply committed to public collaboration and stakeholder engagement. UPP only works in one sector – UK higher education – and in doing so also recognises that its interests align with many of the universities with which it works. UPP has a live stakeholder register which seeks to identify, plan, manage and control engagement as well as map a changing power/interest matrix of stakeholders over time.

- a. Employees
- b. Partners (Existing/Potential) and their students
- c. Shareholders
- d. Investors
- e. Government, Regulators, Policy Bodies
- f. Suppliers and Strategic Partners
- g. Press and Media

The Company believes that it is critical that we work with all our stakeholders particularly given the ongoing changes taking place in how UK higher education is funded and delivered. The Board understands the importance of engagement with all of its stakeholders and gives appropriate weighting to the outcome of its decisions for the relevant stakeholder in weighing up how best to promote the success of the Company.

The Board regularly discusses issues concerning employees, university partners and their students, our shareholders, suppliers, sector regulators and the wider community and environment. It takes the needs of these stakeholders into account in its discussions and in its decision-making processes. In addition to this, the Board seeks to understand the interests and views of the Company's stakeholders by engaging with them directly when required. The below summarises the key stakeholders and how we engage with each:

UPP Group Holdings Limited
Strategic report (continued)
for the year ended 31 August 2021



Stakeholders	Engagement
Employees	<p>Our employees are critical to the success of the Business.</p> <p>We aim to be a responsible employer in our approach to remuneration, paying a minimum of the Living Wage. We continue to engage with our teams across the country to ascertain which training and development opportunities should be made available to improve our productivity and to invest in the potential of individual employees.</p> <p>The Company has a well-established employee wellbeing programme which focuses not just on behavioural health and safety, but on the physical and emotional wellbeing of our teams. During the year, the Board has engaged directly with our teams on issues of physical and mental health and this programme will continue.</p> <p>We actively seek feedback from our teams and annual Performance and Development Reviews are used to ensure that a two-way dialogue on performance and development needs is maintained.</p> <p>A further approach taken is through our annual Speak Out employee survey. This allows the Board to assess the success of our engagement, and employee participation represents a parent company key performance indicator.</p> <p>Feedback is also sought on the basis of monthly All-Team Video Conference calls with our Chief Executive Officer (CEO) and Executive Leadership Team. This provides an opportunity to share information with employees and a question and answer session enables any employee who wishes to join the call to ask any question to the CEO and the Executive Leadership Team.</p> <p>We continually invest in employee development – offering company-wide training opportunities. We have also established two 'Aspire' training and development programmes to ensure high performing talent is encouraged and supported.</p> <p>The Company seeks to create and inspire an inclusive culture with our intranet – Campus – which provides a platform for all our teams to share news and information across the Business. Our biannual in-house employee publication 'SpeakUPP' is delivered to the homes of all employees and includes information, news and features.</p> <p>Our Wrap UPP weekly all-employee email enables us to share news, announcements and reminders with our employees, all in one place, as well as activities happening across UPP and ways that teams can get involved.</p> <p>As part of the UPP Foundation – the independent charity majority-funded by the Company – employees are encouraged to support a charity of their choice and the Foundation will match fund chosen fundraising events decided by the UPP Gives employee fundraising committee.</p> <p>The Company continues to find new ways of encouraging our teams to have a voice.</p>

UPP Group Holdings Limited
Strategic report (continued)
for the year ended 31 August 2021



Stakeholders	Engagement
Partners (existing/potential)	<p>Partnership is the most important of the Company values and sits at the core of everything we do.</p> <p>The UPP model is based exclusively on establishing long-term relationships with UK universities to develop on-campus infrastructure utilising long dated bond debt in the form of publicly listed bonds or private placements.</p> <p>As a direct result of this long-term model, the interests of the Company and our university partners – and indeed the wider sector – are closely aligned.</p> <p>The Company seeks to engage with its partners on multiple levels. Typically, the Company will hold relationships at both senior and operational levels and on a variety of frequencies – day-to-day operational contact, as well as more formal pre-arranged meetings. These include Liaison Committees, Partnership Board Meetings and formal SPV Board meetings depending on the specifics of each Project Agreement. In the case of the latter, these allow for engagement on the key risks facing each company and will have set agenda.</p> <p>In recent years, the Company has established a dedicated function for engaging with our university partners – UPP Management – which employs Partnership Directors and is responsible for the long-term strategic management of the assets and relationships. We discuss all investment decisions with our partners and seek their input on a regular basis.</p> <p>We have implemented a governance framework including our Code of Business Ethics and policies on Anti-Bribery and Gifts and Hospitality.</p>
Shareholders	<p>The Board seeks to behave in a responsible manner towards both of its shareholders. It communicates information relevant to its shareholders on a regular basis and provides opportunities for shareholders to engage with its Executive Leadership Team. Such opportunities include quarterly Board Meetings, Investment Committees and other Committees of the Board (e.g. Remuneration, Risk and Audit).</p>
Investors	<p>The Company seeks to communicate with investors in a transparent manner and on a regular basis. In addition to fulfilling its reporting obligations for its listed entities on an annual and half-yearly basis, the Company seeks to provide investors with regular trading updates and information relating to demand for its assets. In the case of UPP Bond 1 PLC, it also communicates with investors via a Monitoring Advisor who annually reviews the performance of the assets and administers Company requests of investors and any relevant voting matters.</p> <p>The senior management of the Company make themselves available to individual investors where information on a variety of topics is requested.</p>

UPP Group Holdings Limited
Strategic report (continued)
for the year ended 31 August 2021



Stakeholders	Engagement
Government, Regulators, Policy Bodies	<p>The Company works in one sector only, and this means that establishing a good relationship with the sector regulator – the Office for Students (OfS) – is vital.</p> <p>The Company has a well-developed public affairs strategy and engages with Senior Officers of the OfS both on a corporate basis but also through the UPP Foundation, the independent charity established and majority-funded by the Company.</p> <p>We work with Government – most frequently the Department for Education – on matters of accommodation policy and student experience. This is a proactive, transparent and reciprocal relationship to share best practice.</p> <p>It is the intention of the Company to behave responsibly and to ensure that the management team operates the Business in a responsible manner, acting with the high standards and good governance expected by the wider higher education sector and Government.</p> <p>In doing so, we believe we will achieve our long-term business strategy and further develop our reputation in the sector. We have a risk and control framework to ensure that the Company complies with all legal and regulatory requirements relating to the provision of accommodation for students. This includes complying with relevant accredited network codes of practice.</p> <p>In our public affairs work, we also have close relationships with leading sector policy bodies such as Universities UK and the Higher Education Policy Institute. This enables us to understand the longer-term risks and issues to the sector and engage in future policy making.</p>
Suppliers	<p>The Company works with a wide range of suppliers in the UK and elsewhere. We remain committed to being fair and transparent in our dealings with all of our suppliers.</p> <p>The Board has oversight of the appointment and provision of services by suppliers, including initial and ongoing due diligence.</p> <p>The Company has procedures requiring due diligence of suppliers as to their internal governance including, for example, their anti-bribery and corruption practices, data protection policies and modern slavery matters. The Company has systems and processes in place to ensure suppliers are paid in a timely manner.</p>
Press and Media	<p>The Company maintains good relations with the press and media. It has a proactive strategy of engagement with the press and, in particular, higher education sector publications. The Company maintains a 'live' Crisis Communication Plan as part of its wider Business Continuity Planning and has a designated Company Spokesperson.</p> <p>The Company organises media roundtable events which enable senior leaders to engage with journalists and other industry and sector stakeholders – typically with correspondents in the field of Infrastructure, Education and Higher Education – to increase the breadth of knowledge of the positive impact of the Company's activities and proactively manage its reputation.</p>

UPP Group Holdings Limited

Strategic report (continued)

for the year ended 31 August 2021



SECR disclosure

The Group is required to report under the SECR regime for the consumption of the Company. The consumption of the Company's subsidiary entities is excluded by virtue of none of them meeting the size criteria. Detail on the Group's energy efficiency initiatives is given in the Strategic Report.

	2021
Energy consumption used to calculate emissions /kWh	59
Emissions from consumption of gas tCO ₂ e	-
Emissions from combustion of fuel for transport tCO ₂ e	-
Emissions from consumption of electricity tCO ₂ e	13
Total tCO ₂ e	13
Emission intensity (tCO ₂ s/m ²)	0.017

Emissions data is extracted from invoicing provided by the Company's office management companies.

On behalf of the Board

Henry Gervaise-Jones
Director
9 February 2022

UPP Group Holdings Limited

Directors' report

for the year ended 31 August 2021



The directors present their report for the year ended 31 August 2021.

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 £31,813k and company loss of £20,576k for the year ended 31 August 2021, 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 2023, 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 2021/22 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 2021/22 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 2021.

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 (2020: £nil).

Directors and their interests

The directors holding office during the year ended 31 August 2021 and subsequently are:

I Frolova
H Gervaise-Jones
E Hewitt
J Hu
H Huizing
R McClatchey
P Milner
A Percival
M Swindlehurst (resigned 2 February 2022)
A Wilkie

UPP Group Holdings Limited

Directors' report (continued)

for the year ended 31 August 2021



At 31 August 2021 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 2021, 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:

- 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 and the company'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 group and the company's 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 parent company's transactions, disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect 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.

UPP Group Holdings Limited

Directors' report (continued)

for the year ended 31 August 2021



During the year and up until the date of this report, the Company maintained liability insurance and third-party indemnification provisions for its directors, under which the Company has agreed to indemnify the directors to the extent permitted by law in respect of all liabilities to third parties arising out of, or in connection with, the execution of their powers, duties and responsibilities of the Company.

On behalf of the Board

A handwritten signature in black ink, appearing to read 'H. Gervaise-Jones', is written over a horizontal line.

Henry Gervaise-Jones
Director
9 February 2022

Independent auditor's report to the members of UPP Group Holdings Limited

Opinion

We have audited the financial statements of UPP Group Holdings Limited ("the company") for the year ended 31 August 2021 which comprise the 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 2021 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").

In our evaluation of the directors' conclusions, we considered the inherent risks to the group's business model and analysed how those risks might affect the group and company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the group or the company's ability to continue as a going concern for the going concern period.

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 above conclusions are not a guarantee that the group or the company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud.

Independent auditor's report to the members of UPP Group Holdings Limited (continued)

Our risk assessment procedures included:

- Enquiring of the directors and inspection of policy documentation as to the group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud;
- Reading Board minutes;
- Considering remuneration incentive schemes and performance targets for management;
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that Group management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as valuation of service concession arrangements and valuation of derivative financial instruments.

On this audit we do not believe there is a fraud risk related to revenue recognition because the Group's and Company's income primarily arises from contracts with universities with fixed periodic payments, and revenue is recognised over time but which is non-judgemental, straight forward and limited opportunity for manipulation.

We did not identify any additional fraud risks.

We performed procedures including:

- identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior finance management and journal entries made to unrelated account; and
- assessing significant accounting estimates for bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards) and from inspection of the group's regulatory and legal correspondence and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies' legislation), distributable profits and taxation legislation. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: property laws and building legislation, health and safety, employment laws, anti-bribery, other worker laws, recognising the nature of the group's activities.

Fraud and breaches of laws and regulations – ability to detect (continued)

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations (continued)

Independent auditor's report to the members of UPP Group Holdings Limited (continued)

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws or regulation.

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.

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
- 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 3, 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.

Independent auditor's report to the members of UPP Group Holdings Limited (continued)

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

9 February 2022

UPP Group Holdings Limited

Group income statement

for the year ended 31 August 2021

		Year ended 31 August 2021 £'000	Year ended 31 August 2020 £'000
	Notes		
Turnover	4	229,723	254,302
Cost of sales		(100,836)	(129,601)
Gross profit		128,887	124,701
Operating expenses		(56,642)	(48,994)
Other Operating Charges	21	(3,814)	-
Operating profit	8	68,431	75,707
Interest receivable & similar income	9	10,007	15,098
Interest payable & similar charges:	10		
Senior financing interest		(88,825)	(71,918)
Other interest payable & similar charges		(21,426)	(20,910)
		(110,251)	(92,828)
Loss on ordinary activities before taxation		(31,813)	(2,023)
Tax on loss on ordinary activities	11	-	(73)
Loss for the financial year		(31,813)	(2,096)
Loss for the financial year attributable to:			
Non-controlling interests		(2,597)	(734)
Owners of the parent		(29,216)	(1,362)
Loss for the financial year		(31,813)	(2,096)

The above results all relate to continuing operations.

The notes on pages 35 to 73 form part of these financial statements.

UPP Group Holdings Limited

Group statement of comprehensive income

for the year ended 31 August 2021

	Year ended 31 August 2021 £'000	Year ended 31 August 2020 £'000
Loss for the financial year	<u>(31,813)</u>	<u>(2,096)</u>
Revaluation of principal asset	7,683	63,140
Fair value movements on swaps	(742)	26,834
Actuarial gain relating to pension scheme	178	(238)
Total other comprehensive income for the year	<u>7,119</u>	<u>89,736</u>
Total comprehensive (loss)/income for the year	<u>(24,694)</u>	<u>87,640</u>
Total comprehensive (loss)/income for the year attributable to:		
Non-controlling interests	(2,558)	6,349
Owners of the parent	<u>(22,136)</u>	<u>81,291</u>
	<u>(24,694)</u>	<u>87,640</u>

The notes on pages 35 to 73 form part of these financial statements.

UPP Group Holdings Limited
Group statement of financial position
as at 31 August 2021

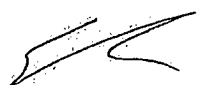
		31 August 2021 £'000	31 August 2020 £'000
	Notes		
Non-current assets			
Goodwill & other assets	12	29,348	31,852
Service concession arrangements	13	474,292	450,278
Tangible assets	14	1,531,409	1,530,267
		2,035,049	2,012,397
Current assets			
Debtors subject to non-recourse finance	16	144,778	146,568
Debtors: amounts falling due within one year	17	27,849	22,574
Debtors: amounts falling due after one year	18	-	965
Cash at bank and in hand	29	178,918	188,075
		351,545	358,182
Creditors: amounts falling due within one year	19	(111,470)	(90,809)
Net current assets		240,075	267,373
Total assets less current liabilities		2,275,124	2,279,770
Creditors: amounts falling due after more than one year	20	(2,161,423)	(2,145,011)
Provisions for liabilities	21	(4,029)	(215)
Net assets excluding pension liability		109,672	134,544
Pension liability	24	(1,999)	(2,177)
Net assets		107,673	132,367

UPP Group Holdings Limited
Group statement of financial position (continued)
as at 31 August 2021

		31 August 2021 £'000	31 August 2020 £'000
	Notes		
Share capital and reserves			
Called up share capital	22	7,477	7,477
Share premium account	23	260,750	260,750
Other reserve	23	46,220	46,220
Capital reserves	23	18,255	18,255
Cash flow hedge reserve	23	(174,351)	(173,779)
Revaluation reserve	23	299,430	295,497
Profit and loss account		(359,941)	(334,444)
Equity attributable to owners of the parent company		97,840	119,976
Non-controlling interest		9,833	12,391
		107,673	132,367

The notes on pages 35 to 73 form part of these financial statements.

The financial statements were approved and authorised for issue by the board on 9 February 2022 and were signed on its behalf by:



Henry Gervaise-Jones
Director

UPP Group Holdings Limited

Company statement of financial position

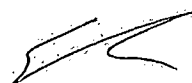
as at 31 August 2021

		31-Aug 2021 £'000	31-Aug 2020 £'000
	Notes		
Fixed assets			
Intangible assets	12	1,044	1,853
Fixed assets	14	2,049	868
Investments	15	284,866	284,866
		<u>287,959</u>	<u>287,587</u>
Current assets			
Debtors falling due within one year	17	7,764	24,255
Cash at bank and in hand		1,177	390
		<u>8,941</u>	<u>24,645</u>
Creditors: amounts falling due within one year	19	(23,212)	(17,783)
Net current assets		<u>(14,271)</u>	<u>6,862</u>
Total assets less current liabilities		<u>273,688</u>	<u>294,449</u>
Creditors: amounts falling due after more than one year	20	-	-
Provisions for liabilities	21	(30)	(215)
Net assets		<u>273,658</u>	<u>294,234</u>
Share capital and reserves			
Called up share capital	22	7,477	7,477
Share premium account	23	260,393	260,393
Capital reserves	23	9,964	9,964
Profit and loss account		(4,176)	16,400
Shareholders' funds		<u>273,658</u>	<u>294,234</u>

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 35 to 73 form part of these financial statements.

The financial statements were approved and authorised for issue by the board on 9 February 2022 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 2021



	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 2020	7,477	260,721	46,220	18,255	(200,159)	240,069	(333,927)	38,656	6,042	44,698
Restated loss for the financial year	-	-	-	-	-	-	(1,362)	(1,362)	(734)	(2,096)
Restated 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
Loss for the financial year	-	-	-	-	-	-	(29,216)	(29,216)	(2,597)	(31,813)
Other comprehensive income	-	-	-	-	(572)	7,474	178	7,080	39	7,119
Total comprehensive income	-	-	-	-	(572)	7,474	(29,038)	(22,136)	(2,558)	(24,694)
Equity-settled share-based payments	-	-	-	-	-	-	-	-	-	-
Transfer to profit and loss account	-	-	-	-	-	(3,541)	3,541	-	-	-
At 31 August 2021	7,477	260,750	46,220	18,255	(174,351)	299,430	(359,941)	97,840	9,833	107,673

The notes on pages 35 to 73 form part of these financial statements.

UPP Group Holdings Limited Company statement of changes in equity for the year ended 31 August 2021

	Share capital £'000	Share premium £'000	Capital reserve £'000	Profit and loss account £'000	Total equity £'000
At 1 September 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)
At 31 August 2020	7,477	260,393	9,964	16,400	294,234
Equity-settled share-based payments	-	-	-	-	-
Results for the financial year	-	-	-	(20,576)	(20,576)
Balance at 31 August 2021	7,477	260,393	9,964	(4,176)	273,658

UPP Group Holdings Limited Group statement of cash flows for the year ended 31 August 2021

	Year ended 31 August 2021 Group £'000	Year ended 31 August 2020 Group £'000
Loss for the financial year	(31,813)	(2,096)
<i>Adjustments for:</i>		
Tax on loss on ordinary activities	-	73
Net interest expense	<u>100,244</u>	<u>77,730</u>
Operating profit	68,431	75,707
Depreciation	8,269	8,727
Amortisation of intangible assets and goodwill	11,261	9,122
Amortisation of computer software	820	556
Increase / (decrease) in provisions for dilapidations	3,636	72
(Increase) / decrease in debtors due within one year	(5,275)	(2,933)
Increase / (decrease) in creditors due within one year	<u>8,724</u>	<u>(12,646)</u>
Net cash inflow from operating activities	<u>95,866</u>	<u>78,605</u>
Investing activities		
Interest received	391	2,755
Payments to acquire intangible fixed assets	(12)	(1,008)
Payments to acquire service concession arrangements	(34,537)	(108,575)
Payments to acquire tangible fixed assets	<u>(1,729)</u>	<u>(962)</u>
Net cash flow used in investing activities	<u>(35,887)</u>	<u>(107,790)</u>
Financing activities		
Repayment of senior debt	(8,548)	(10,180)
Repayment of fixed rate debt	(4,630)	(6,958)
Repayment of index-linked debt	(18,475)	(17,751)
New long-term index-linked debt	9,777	63,812
Interest paid	(50,828)	(50,367)
Finance lease payments	(314)	(603)
Interest received on finance receivables	<u>3,882</u>	<u>7,968</u>
Net cash flow used in financing activities	<u>(69,136)</u>	<u>(14,079)</u>
Decrease in cash and cash equivalents	<u>(9,157)</u>	<u>(43,264)</u>
Cash and cash equivalents at 1 September	<u>188,075</u>	<u>231,339</u>
Cash and cash equivalents at 31 August	<u>178,918</u>	<u>188,075</u>

The notes on pages 35 to 73 form part of these financial statements.

UPP Group Holdings Limited

Notes to the financial statements

for the year ended 31 August 2021

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 £31,814k and company loss of £20,576k for the year ended 31 August 2021, 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 2023, 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.

UPP Group Holdings Limited

Notes to the financial statements (continued)

for the year ended 31 August 2021

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 2021.

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 loss of £20,576k (2020: £15,896k loss).

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

2.4 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.

UPP Group Holdings Limited

Notes to the financial statements (continued)

for the year ended 31 August 2021

2. Accounting policies (continued)

2.4 Tangible fixed assets (continued)

The Group has adopted a policy regarding the pre-2014 SCAs 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.

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.

UPP Group Holdings Limited

Notes to the financial statements (continued)

for the year ended 31 August 2021

2. Accounting policies (continued)

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.

Non recourse assets are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Any asset carried under non-recourse finance facilities 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.

2.7 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.

UPP Group Holdings Limited

Notes to the financial statements (continued)

for the year ended 31 August 2021

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.

UPP Group Holdings Limited

Notes to the financial statements (continued)

for the year ended 31 August 2021

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.

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

Computer software assets are measured initially at cost. After initial recognition they are stated at historical cost or valuation, less accumulated amortisation.

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.

UPP Group Holdings Limited

Notes to the financial statements (continued)

for the year ended 31 August 2021

2. Accounting policies (continued)

2.13 Interest bearing loans and borrowings (continued)

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.

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.

UPP Group Holdings Limited

Notes to the financial statements (continued)

for the year ended 31 August 2021

2. Accounting policies (continued)

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 contracts 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 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 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.

2.22 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.

UPP Group Holdings Limited

Notes to the financial statements (continued)

for the year ended 31 August 2021

2. Accounting policies (continued)

2.22 Defined benefit pension plan (continued)

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.

2.25 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

UPP Group Holdings Limited

Notes to the financial statements (continued)

for the year ended 31 August 2021

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 14.

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 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, which are subjective in nature and require significant judgement. In adjusting the fair value of its derivative contracts for the effects 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 12.

UPP Group Holdings Limited

Notes to the financial statements (continued)

for the year ended 31 August 2021

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.

UPP Group Holdings Limited

Notes to the financial statements (continued)

for the year ended 31 August 2021

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.

UPP Group Holdings Limited

Notes to the financial statements (continued)

for the year ended 31 August 2021

4. 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 2021 £'000	Year ended 31 August 2020 £'000
Facilities management services	2,964	3,283
Management and development services	180,101	1,255
Construction services	33,465	64,681
Provision of student accommodation	13,193	185,083
	<u>229,723</u>	<u>254,302</u>

5. 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 2021 £'000	Year ended 31 August 2020 £'000
Emoluments	918	1,232
Loss of office		
Company contributions to defined contribution schemes	49	37
	<u>967</u>	<u>1,269</u>

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

	£'000	£'000
Emoluments	252	169
Company contributions to defined contribution schemes	7	-
	<u>259</u>	<u>169</u>

UPP Group Holdings Limited **Notes to the financial statements (continued)** **for the year ended 31 August 2021**

6. Auditor's remuneration

	Year ended 31 August 2021 £'000	Year ended 31 August 2020 £'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	42	45
The audit of the Company's subsidiaries pursuant to legislation	589	604
	631	649

7. Employee information

As at 31 August 2021 the Company has 124 employees (2020: 104).

	Year ended 31 August 2021 Number	Year ended 31 August 2020 Number
The average number of persons employed by the Group during the year was as follows:		
Management and operations	196	156
Site managers	67	77
Administration, maintenance and cleaning (full and part time)	658	688
	921	921

The employment costs of all employees included above were:

	Year ended 31 August 2021 £'000	Year ended 31 August 2019 £'000
Wages and salaries	34,986	26,596
Social security costs	3,169	3,238
Other pension costs – defined contribution	1,232	1,413
Other pension costs – defined benefit	35	34
	39,422	31,281

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 £1,612,000 (2020: £1,687,000).

Long Term Incentivisation Scheme

No payments were made under the long term incentivisation scheme during the year (2020: £nil).

UPP Group Holdings Limited

Notes to the financial statements (continued)

for the year ended 31 August 2021

8. Operating profit

The operating profit is stated after charging:

	Year ended 31 August 2021 £'000	Year ended 31 August 2020 £'000
Amortisation of goodwill	1,695	1,694
Amortisation of computer software	820	556
Amortisation of service concession arrangements	9,566	7,428
Depreciation	8,269	8,727
Auditors' remuneration	648	649

9. Interest receivable and similar income

	Year ended 31 August 2021 £'000	Year ended 31 August 2020 £'000
Interest received on cash balances	851	951
Interest income on finance receivable	9,156	9,986
Finance gain on fair value movements on swaps	-	4,161
	10,007	15,098

10. Interest payable and similar charges

	Year ended 31 August 2021 £'000	Year ended 31 August 2020 £'000
Financial liabilities measured at amortised cost		
Bank loan interest	23,755	21,734
Interest payable on senior secured notes	29,146	18,456
Interest payable on index-linked facilities	18,634	29,709
Subordinated loan note interest	13,038	3,267
Interest income on finance receivable	4,693	3,660
Interest due on loan from parent company	17,290	15,968
Financial liabilities measured at fair value		
Fair value movements on swaps	3,660	-
Other charges		
Interest on net defined benefit pension liability & overdraft fee	35	34
	110,251	92,828

Included within the interest payable on index-linked facilities is £23,128,000 (2020: £16,244,000) that relates to the inflation uplift on the index-linked facilities.

UPP Group Holdings Limited

Notes to the financial statements (continued)

for the year ended 31 August 2021

11. 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 2021 £'000	Year ended 31 August 2020 £'000
Current tax:		
Current tax on income for the year	-	-
Adjustment to tax charge in respect of prior years	-	73
Total current tax	-	73
Deferred tax:		
Current year	-	-
Total deferred tax	-	-
Tax (credit) / charge on loss on ordinary activities	-	73

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 2021 £'000	Year ended 31 August 2020 £'000
Loss on ordinary activities before tax	(31,813)	(2,023)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2019: 19%)	(6,044)	(384)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	13,875	14,879
Non-taxable income	(11,104)	(12,792)
Adjustment to tax charge in respect of prior year	-	73
Brought forward losses utilised in the year	(358)	(630)
Movement in deferred tax not recognised	-	-
Group relief	2,143	2,155
Current year losses carried forward	2,182	1,611
Exempt property rental (profits)/losses in the year	(694)	(4,838)
Current tax (credit) / charge for the year (note 11a)	-	73

UPP Group Holdings Limited

Notes to the financial statements (continued)

for the year ended 31 August 2021

11. Tax on loss on ordinary activities (continued)

d) Factors that may affect future tax charges

A deferred tax asset has not been recognized on the available tax losses of £99,053,355 as at 31 August 2021 (2020: £72,413,000). This is due to there being no persuasive and reliable evidence available at this time of suitable profits to offset these losses. On 3 March 2021, it was announced that the UK corporation tax rate would increase to 25% from 1 April 2023, which was enacted in May 2021. The effect of this change in the rate of UK corporation tax increased the deferred tax asset not recognised by £23,773k.

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.

12. Intangible fixed assets - Other

	Computer software £'000	Goodwill £'000	Total £'000
Group Cost			
At 1 September 2020	3,317	60,121	63,438
Additions	12	-	12
At 31 August 2021	3,329	60,121	63,450
Amortisation			
At 1 September 2020	(1,466)	(30,121)	(31,587)
Charge during the year	(820)	(1,695)	(2,515)
At 31 August 2021	(2,286)	(31,816)	(34,102)
Net book value			
At 31 August 2021	1,043	28,305	29,348
At 31 August 2020	1,851	30,000	31,852

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

UPP Group Holdings Limited

Notes to the financial statements (continued)

for the year ended 31 August 2021

costs. The computer software is being amortized evenly over its useful life between 3 to 5 years.

12. Intangible fixed assets - Other (continued)

Company	Computer software £'000	Total £'000
Cost		
At 1 September 2020	2,560	2,560
Additions	11	11
At 31 August 2020	2,571	2,571
Amortisation		
At 1 September 2020	(707)	(707)
Charge during the year	(820)	(820)
At 31 August 2021	(1,527)	(1,527)
Net book value		
At 31 August 2021	1,044	1,044
At 31 August 2020	1,853	1,853

13. Intangible fixed assets – Service Concession Arrangements

Group	Assets for use in operating leases £'000	Assets in the course of construction £'000	Total £'000
Cost			
At 1 September 2020	309,921	151,035	460,956
Additions	-	33,580	33,580
At 31 August 2021	309,921	184,615	494,536
Amortisation			
At 1 September 2020	(10,678)	-	(10,678)
Charge during the year	(9,566)	-	(9,566)
At 31 August 2021	(20,244)	-	(20,244)
Net book value			
At 31 August 2021	289,677	184,615	474,292
At 31 August 2020	299,243	151,035	450,278

Assets in the course of construction are scheduled to become operational in September 2021 and September 2022.

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.

UPP Group Holdings Limited

Notes to the financial statements (continued)

for the year ended 31 August 2021

14. Tangible fixed assets

Group	Assets for use in operating leases £'000	Fixtures and fittings £'000	Total £'000
Cost or valuation			
At 1 September 2020	1,556,672	7,504	1,564,176
Revaluation	7,683	-	7,683
Additions	-	1,728	1,728
At 31 August 2021	1,564,355	9,232	1,573,587
Depreciation			
At 1 September 2020	(28,337)	(5,572)	(33,909)
Charge during the year	(7,474)	(795)	(8,269)
On revalued assets	-	-	-
At 31 August 2021	(35,811)	(6,367)	(42,178)
Net book value			
At 31 August 2021	1,528,544	2,865	1,531,409
At 31 August 2020	1,528,335	1,932	1,530,267

Fixed assets include net finance costs up to the date of completion of £45,160,000 (2020: £44,213,000). An amount of £947,000 (2020: £1,926,000) 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 2021 £'000	Assets for use in operating leases 31-Aug 2020 £'000
Cost	1,231,119	1,231,119
Depreciation	(36,526)	(29,049)
Net book value at 31 August	1,194,593	1,202,070

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 2021. JLL have confirmed the value as at that date was £1,194,593k.

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%

UPP Group Holdings Limited **Notes to the financial statements (continued)** **for the year ended 31 August 2021**

14. Tangible fixed assets (continued)

	Fixtures & fittings £'000	Total £'000
Company		
Cost		
At 1 September 2020	1,619	1,619
Additions	1,686	1,686
At 31 August 2021	3,305	3,305
Amortisation		
At 1 September 2020	(751)	(751)
Charge during the year	(505)	(505)
At 31 August 2021	(1,256)	(1,256)
Net book value		
At 31 August 2021	2,049	2,049
At 31 August 2020	868	868

15. Company's investments

	Interest in group undertakings £'000
Company	
At 1 September 2020	284,866
Additions	-
At 31 August 2021	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.

UPP Group Holdings Limited

Notes to the financial statements (continued)

for the year ended 31 August 2021

16. Debtors subject to non-recourse finance

	31 August 2021 Group £'000	31 August 2021 Company £'000	31 August 2020 Group £'000	31 August 2020 Company £'000
Due after more than year				
Service concession arrangements recognised as Financial Asset service	143,074	-	146,568	-
Due within one year				
Finance receivable	1,704	-	-	-
Total Debtors subject to non-re-course finance	144,778		146,568	

The finance receivable asset includes net finance costs of £1,119,000 (2020: £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.

UPP Group Holdings Limited

Notes to the financial statements (continued)

for the year ended 31 August 2021

17. Debtors: amounts falling due within one year

	31 August 2021 Group £'000	31 August 2021 Company £'000	31 August 2020 Group £'000	31 August 2020 Company £'000
Trade debtors	2,183	-	1,819	-
Amounts owed by related parties	15,665	-	11,991	-
Amounts due from subsidiary undertakings	-	6,300	-	22,418
VAT recoverable	534	218	1,353	518
Other debtors	1,478	1,246	1,639	1,319
Prepayments and accrued income	7,989	-	5,772	-
	27,849	7,764	22,574	24,255

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

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

	31 August 2021 Group £'000	31 August 2021 Company £'000	31 August 2020 Group £'000	31 August 2020 Company £'000
Derivative financial instruments	-	-	965	-
Amounts owed by related parties	-	-	-	-
	-	-	965	-

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

19. Creditors: amounts falling due within one year

	31 August 2021 Group £'000	31 August 2021 Company £'000	31 August 2020 Group £'000	31 August 2020 Company £'000
Current instalment on borrowings	37,535	-	39,087	-
Fixed Bond	7,752	-	-	-
Index Linked Bond	5,805	-	-	-
Trade creditors	8,367	663	10,376	590
Amounts owed to related parties	3,029	9,949	2,969	8,555
Other taxes and social security	890	-	1,250	-
Other creditors	1,631	878	1,182	627
Accruals and deferred income	46,461	11,722	36,001	8,011
	111,470	23,212	90,865	17,783

UPP Group Holdings Limited

Notes to the financial statements (continued)

for the year ended 31 August 2021

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

	31 August 2021	31 August 2021	31 August 2020	31 August 2020
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Senior debt	487,593	-	552,249	-
Senior secured notes	479,912	-	492,864	-
Senior index linked debt	719,098	-	644,625	-
Non-recourse bank debt finance	79,569	-	80,162	-
Secured subordinated loan notes	43,002	-	31,745	-
Derivative financial instruments	184,196	-	180,598	-
Loan from parent company	219,145	-	201,856	-
	2,212,515	-	2,184,099	-
Less: included in creditors amounts falling due within one year	(51,092)	-	(39,088)	-
	2,161,423	-	2,145,011	-

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

Maturity of debt	31 August 2021	31 August 2021	Restated 31 August 2020	31 August 2020
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Repayable within one year or on demand	99,493	-	53,006	-
Repayable in more than one year but less than two years	92,708	-	54,416	-
Repayable in more than two years but less than five years	272,879	-	380,748	-
Repayable in more than five years	2,551,825	-	1,712,401	-
	3,016,905	-	2,200,571	-
Less: included in creditors amounts falling due within one year	(51,092)	-	(53,006)	-
	2,965,813	-	2,147,565	-

UPP Group Holdings Limited

Notes to the financial statements (continued)

for the year ended 31 August 2021

20. 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.

UPP Group Holdings Limited

Notes to the financial statements (continued)

for the year ended 31 August 2021

20. 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.

UPP Group Holdings Limited

Notes to the financial statements (continued)

for the year ended 31 August 2021

20. 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.

21. Provisions

	Provisions Group £'000	Total Group £'000	Provisions Company £'000	Total Company £'000
At 1 September 2020	215	215	215	215
Charged/(credited) to profit or loss	3,814	3,814	(185)	(185)
At 31 August 2021	4,029	4,029	30	30

During the year the Company identified that certain remedial works were required to the cladding at its Francis Drake property. Work had commenced by the year end but an anticipated future cost of £3.99m was identified. As there is an obligation to complete the works, it is probable that economic benefit will transfer and the liability can be estimated reliably; a provision has been recognised under FRS102 for this amount.

UPP Group Holdings Limited Notes to the financial statements (continued) for the year ended 31 August 2021

22. Called up share capital

	31 August Group and Company 2021	31 August Group and Company 2020
	£'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
	<u>7,477</u>	<u>7,477</u>

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.

UPP Group Holdings Limited

Notes to the financial statements (continued)

for the year ended 31 August 2021

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 £1,232,000 (2020: 1,413,000) represents a pre-determined amount of the employee's salary paid into the scheme. As at 31 August 2021 £nil (2020: £nil) contributions remained outstanding.

Defined benefit scheme

Retirement benefits for 29 Group employees (2020 – 56) 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 latest being carried out at 31 March 2022 setting out contributions for the period from 1 April 2023 to 31 March 2026.

The material assumptions used by the Actuary at 31 August 2021 were:

	2021	2020
Rate of inflation	2.9%	2.35%
Rate of increase in salaries	3.9%	3.4%
Rate of increase in pensions	2.9%	2.4%
Discount rate for liabilities	1.7%	1.6%

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 2021 Years	31 August 2020 Years
Retiring today		
Males	21.6	21.8
Females	24.3	24.4
Retiring in 20 years		
Males	22.9	23.2
Females	25.7	25.9

UPP Group Holdings Limited

Notes to the financial statements (continued)

for the year ended 31 August 2021

24. Retirement benefit schemes (continued)

Amounts recognised in the income statement are as follows:

	31 August 2021 £'000	31 August 2020 £'000
Service cost	75	69
Net interest on the defined liability	33	33
Administrative expenses	2	1
	<u>110</u>	<u>103</u>

Amount taken to other comprehensive income is as follows:

	31 August 2021 £'000	31 August 2020 £'000
Return of scheme assets in excess of interest	426	56
Other actuarial gains/(losses on assets	(53)	-
Change in financial assumptions	(195)	(294)
Re-measurement of the (defined liability)	<u>178</u>	<u>(238)</u>

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

	31 August 2021 £'000	31 August 2020 £'000
Present value of the defined benefit obligation	(5,774)	(5,529)
Fair value of scheme assets	3,775	3,352
Net defined benefit liability	<u>(1,999)</u>	<u>(2,177)</u>

UPP Group Holdings Limited

Notes to the financial statements (continued)

for the year ended 31 August 2021

24. Retirement benefit schemes (continued)

Defined benefit obligation reconciliation is as follows:

	31 August 2021 £'000	31 August 2020 £'000
At 1 September	5,529	5,328
Current service cost	75	69
Interest cost	85	94
Change in financial assumptions	378	284
Estimated benefits paid net of transfers in	(119)	(185)
Change in demographic assumptions	(68)	(53)
Contributions by scheme participants	9	9
Experience loss on defined benefit obligation	(115)	(17)
At 31 August	<u>5,774</u>	<u>5,529</u>

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

	31 August 2021 £'000	31 August 2020 £'000
At 1 September	3,352	3,446
Interest on assets	52	61
Return on assets less interest	426	56
Other actuarial gains	9	(80)
Employer contributions	57	55
Administration expenses	(2)	(1)
Benefits paid	(119)	(185)
At 31 August	<u>3,775</u>	<u>3,352</u>

The actual return on scheme assets was £478,000 (2020: £117,000).

UPP Group Holdings Limited

Notes to the financial statements (continued)

for the year ended 31 August 2021

24. Retirement benefit schemes (continued)

The estimated asset allocation of the scheme as at 31 August 2021 is as follows:

	31 August 2021		31 August 2020	
	%	£'000	%	£'000
Equities	65	2,451	60	2,009
Government bonds	3	123	4	130
Other bonds	6	238	9	288
Property	10	387	13	442
Cash	4	154	4	132
Other	12	422	10	351
<hr/>				
Total fair value of scheme assets (bid value)	100	3,775	100	3,354
Present value of scheme liabilities		(5,774)		(5,529)
Net deficit		<u>(1,999)</u>		<u>(2,177)</u>

The Company expects to contribute £57,000 to its Defined Benefit Pension Scheme in 2022.

UPP Group Holdings Limited

Notes to the financial statements (continued)

for the year ended 31 August 2021

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. An accrual of £1,804k has been made during the year to reflect the anticipated settlement of this scheme.

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.

UPP Group Holdings Limited

Notes to the financial statements (continued)

for the year ended 31 August 2021

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 2021, the Directors consider that during the year, Nottingham Trent University, the University of Reading, the University of London and the University of Hull are the only related parties of the Group by virtue of their shareholdings in the Companies: UPP (Clifton) Holdings Limited, UPP (Byron House) Holdings Limited, UPP (Reading 1) Holdings Limited, UPP (Cartwright Gardens) Holdings Limited, UPP (Duncan House) Holdings Limited and UPP (Hull) Holdings Limited respectively.

During the year the Group incurred costs of £436k (2020: £264k) 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 £2,152k (2020: £8,781k) remains outstanding at the balance sheet date. An amount of £8k (2020: £4,788k) is included within creditors falling due within one year. An amount of £2,144k (2019: £3,446k) is included within creditors falling due after one year. During the year the Group received income of £11,762k (2020: £11,471k) in respect of services provided by these companies to the university. An amount of £nil (2020: £nil) remains outstanding at the Balance Sheet date..

During the year the Group incurred costs of £2,644k (2020: £2,223k) in respect of services provided by the University of Reading and received income of £26,717k (2020: £26,342k) in respect of services provided to the university. An amount of £6k (2020: £96k) 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 £938k (2020: £505k) in respect of services provided by the University of London and received income of £16,899k (2020: £16,212k) in respect of services provided to the university. An amount of £nil (2020: £2,774k) 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 £303k (2020: £252k) in respect of services provided by the University of Hull and received income of £nil (2020: £nil) in respect of services provided to the university. An amount of £3,165k (2020: £2,874k) remains outstanding at the balance sheet date. This is included within creditors falling due after one year.

During the year ended 31 August 2021 the Group has paid a dividend of £4,000k to the shareholders PGGM and Okra Gee.

UPP Group Holdings Limited Notes to the financial statements (continued) for the year ended 31 August 2021

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.

UPP Group Holdings Limited

Notes to the financial statements (continued)

for the year ended 31 August 2021

29. Notes to the statement of cash flows

a) Cash and cash equivalents comprise the following:

	At 31 August 2021 £'000	At 31 August 2020 £'000
Cash at bank and in hand	172,092	138,777
Short term deposits	6,826	49,298
Cash and cash equivalents	<u>178,918</u>	<u>188,075</u>

b) Significant non cash transactions

There were no significant non cash transactions during the year ended 31 August 2021 and 31 August 2020.

30. Non-controlling interests

The movement in non-controlling interests was as follows:

	2021 £'000	2020 £'000
At 1 September	12,391	6,042
Total comprehensive income attributable to noncontrolling interests	(2,558)	6,348
At 31 August	<u>9,833</u>	<u>12,391</u>

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.

UPP Group Holdings Limited

Notes to the financial statements (continued)

for the year ended 31 August 2021

31. Financial risk management (continued)

As at 31 August 2021 and 31 August 2020 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

UPP Group Holdings Limited

Notes to the financial statements (continued)

for the year ended 31 August 2021

31. Financial risk management (continued)

- 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

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 20 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.

UPP Group Holdings Limited

Notes to the financial statements (continued)

for the year ended 31 August 2021

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 2021 £'000	Carrying amount At 31 August 2020 £'000
Financial assets		
Financial assets measured at fair value:		
Derivative financial assets	-	965
Financial assets measured at amortised cost:		
Cash at bank and in hand	178,918	188,075
Finance receivable	144,779	146,568
Amounts owed by related parties	15,665	11,991
Trade debtors	2,183	1,819
Other debtors	1,478	1,639
Total financial assets	343,022	351,057
Financial liabilities		
Financial liabilities measured at amortised cost:		
Senior bank debt	487,593	552,249
Senior secured notes	479,912	492,864
Senior index linked debt	719,098	644,626
Loan from parent company	219,146	201,856
Non-recourse bank finance	79,569	80,162
Secured subordinated loan notes	43,002	31,745
Trade creditors	8,367	10,367
Related party creditors	3,208	2,969
Other creditors	1,631	1,136
Total financial liabilities measured at amortised cost	2,041,526	2,017,974
Financial liabilities measured at fair value		
Derivative financial liabilities	184,196	180,598

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Notes to the financial statements (continued)

for the year ended 31 August 2021

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 2021 £'000	31 August 2020 £'000
Fair value of derivatives used for hedging		
Creditors: amounts falling due after one year	(176,672)	(176,894)
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	(742)	27,752
Non-controlling interest	166	(915)
Fair value of derivatives not used for hedging		
Creditors: amounts falling due after one year	(7,524)	(3,703)

33. Financial commitments

At 31 August 2021 the Group had an amount of £101,000 (2020: £32,523,000) commitments contracted for but not provided for at that date. This related to ongoing construction of rooms of student residential accommodation.

At 31 August 2021 the Group had future minimum lease payments under non-cancellable operating leases as follows:

Operating leases which expire:	Year ended 31 August 2021	Year ended 31 August 2020
	Land and buildings £'000	Land and buildings £'000
Not later than one year	-	120
After one year but not more than five years	71	-
After five years	4,227	-

During the year £370,000 (2020: £603,000) of lease payments were recognised as expense.

At 31 August 2021 the Group had no financial commitments other than the operating lease set out above.