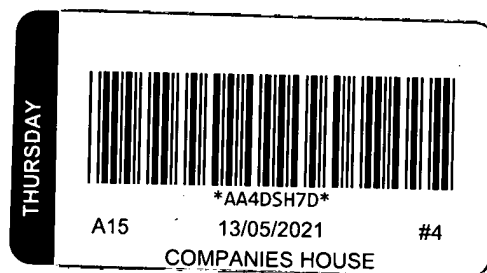


**UPP Group Limited
Report and financial statements**

For the year ended 31 August 2020



UPP Group Limited

Report and financial statements

for the year ended 31 August 2020



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UPP Group Limited

Directors and advisors



Directors

E Hewitt
H Gervaise-Jones
P Milner
A Percival
M Swindlehurst
J Wakeford

Auditor

KPMG LLP
15 Canada Square
London
E14 5GL

Registered office

1st Floor
12 Arthur Street
London
EC4R 9AB

Registered number

06218832

Strategic report for the year ended 31 August 2020

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

Review of the business

The Company's principal activities are that of an investment holding company and the provision of treasury management facilities. The principal activity of its subsidiary undertakings is the development, funding, construction and operation (including facilities management) of student accommodation under the University Partnerships Programme ('UPP').

The financial year ended 31 August 2020 has seen the Company continue to pursue its well established, strategy of controlled and selective growth with leading universities, generating long-term predictable RPI-linked revenues.

On 1 March 2019, the group management and administration activities of the company and associated staff and assets transferred to UPP Group Holdings Limited which now carries on those activities for the group.

Operational performance

During the year UPP REIT Holdings Limited group saw an increase in rental income of £14 million, or 8 per cent, to £186 million with new rooms becoming operational and contractual rental increases being applied across the portfolio.

Whilst there remains uncertainty with respect to the longevity of the impact of restrictions imposed due to the COVID-19 pandemic, the Group and its Leadership team feel that there remains good reason for confidence in ongoing and longer-term trading conditions.

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

This view is based on an assessment of structural demand and supply characteristics and specifically;

- Demand modelling by the Higher Education Policy Institute to 2035 has identified that the demographic decline in UK 18-year-olds, which halted in 2019, will be followed by an increase in the young population of circa 23 per cent during the next decade. This will lead to a minimum increase in demand for full time higher education of 50,000 places on the basis of demography alone and up to 360,000 places assuming increases in participation.
- The continuity of the proportion of students choosing to live on campus rather than at home. More than 80 per cent of students still live away from home and this figure has remained constant despite increases in the cost of participation.
- Increasing levels of international demand and social mobility. The number of young people aged 25 to 34 years old with a tertiary qualification increased by nearly 45 per cent in OECD and G20 countries between 2005 and 2013. OECD projections expect this increase to continue until at least 2030, which will see those with a degree qualification increase from less than 14 per cent at the start of the century to more than 45 per cent by 2030. Whilst the Group experienced uncertainty through a critical part of the sales cycle, that saw rooms being held for international students that were

UPP Group Limited



the subsequently unable to travel, this risk capable of being managed in future years. In the longer term, the UK, as the most popular destination for international students outside the United States, will continue to benefit from continuing global demand for higher education.

- There remains a significant structural shortfall in residential supply, as ongoing enrolments increase at a faster rate than supply, despite the development of an estimated 327,000 bed spaces over the last decade.
- A continuing pipeline of transactions under procurement with leading universities

On this basis, the Leadership team remain confident both in the robust nature of domestic and international demand for UK higher education and therein for residential accommodation. We also remain confident in the capacity of the Group to secure and deliver transactions coming to market based on unique selective approach to partnerships.

Financial risk management objectives and policies

The Company uses various financial instruments including loans, cash, equity investments and various items, such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Company's operations. All of the Company's financial instruments are of sterling denomination and the Company does not trade in financial instruments or derivatives.

The existence of these financial instruments exposes the Company to a number of financial risks, which are described in more detail below. The directors review and agree policies for managing each of these risks and they are summarised below. These policies have remained unchanged from the previous year.

Interest rate risk:

The Company finances its operations through a mixture of retained profits, intra group borrowings, parent company loans and an overdraft facility.

Liquidity risk:

The Company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and debt servicing and to invest cash assets safely and profitably.

Market specific risks:

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

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

UPP Group Limited

Strategic report (continued)

for the year ended 31 August 2020



Key financial performance indicators

The profit for the year attributable to shareholders and reported in the financial statements is £24,872,000 (2019: £12,704,000).

Employees

The Company is an equal opportunity employer with reference to non-discrimination and non-harassment based on ethnic origin, religion, gender, age, disability and sexual orientation. The Group gives disabled people the same consideration as other individuals. Matters which affect the Group are communicated to employees through formal and informal meetings, internal announcements and regular contact with directors and senior management. UPP Group secured Investors in People accreditation.

On behalf of the Board

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

H Gervaise-Jones
Director
17 February 2021

UPP Group Limited

Directors' report

for the year ended 31 August 2020



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

Principal activity

The Company's principal activities are that of an investment holding company and the provision of treasury management facilities.

Financial risk management objectives and policies

The Company's financial risk management objectives and policies are considered to be of strategic significance and are therefore detailed in the Strategic Report on pages 2 - 4.

Going concern

The directors have prepared cashflow forecasts, which are based on detailed financial models and reflect contractual commitments, estimated future demand trends and the expected cashflows which show that the Company is able to meet its liabilities as they fall due.

In preparing these financial statements, the Directors have also considered the impacts of the Covid-19 pandemic on the ability of the Company to continue as a going concern. Whilst this situation is likely to generate continued uncertainty, the Directors are confident that the robust nature of the business model and its many credit-positive features will enable the Company to mitigate many of the risks arising. Notwithstanding this they recognise that the situation may give rise to as yet unidentified and unquantifiable risks.

On this basis, the directors have a reasonable expectation that the Company 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 continue to adopt the going concern basis in preparing these financial statements. For more information refer to Basis of preparation note in Financial Statements.

Dividend

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

Directors and their interests

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

E Hewitt (appointed on 7th April 2020)
H Gervaise-Jones
P Milner
A Percival
M Swindlehurst
J Wakeford

At 31 August 2020 two of the company's previous directors held a beneficial interest in the 'B' ordinary shares of the wholly owned subsidiary company, UPP Group Limited. These shares hold no dividend or voting rights. At 31 August 2020, other than the interest noted above, none of the directors had any beneficial interests in the shares of the company or in any of the subsidiary companies.

UPP Group Limited

Directors' report

for the year ended 31 August 2020



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 for that period.

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

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgements 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 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 company or to cease operations, or have no realistic alternative to do so.

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

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 website, www.upp-ltd.com/investors. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

On behalf of the Board

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

H Gervaise-Jones
Director
17 February 2021

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

Opinion

We have audited the financial statements of UPP Group Limited ("the company") for the year ended 31 August 2020 which comprise the Statements of Comprehensive Income, Statement of Changes In Equity, Statement of Financial Position and notes to the financial statements, including a summary of significant accounting policies 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 company's affairs as at 31 August 2020 and of the company's profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

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

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

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

Strategic report and directors' report

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

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

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

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

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.

Auditor's responsibilities

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

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

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

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



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

UPP Group Limited



Statement of comprehensive income for the year ended 31 August 2020

		Year ended 31-Aug 2020 £'000	Year ended 31-Aug 2019 £'000
	Notes		
Turnover	4	-	1,213
Operating expenses	5	(17)	(6,503)
Operating loss		(17)	(5,291)
Interest receivable & similar income	8	43,550	36,884
Interest payable & similar charges	9	(15,968)	(14,666)
Profit before taxation		27,565	16,928
Tax on profit	10	(2,693)	(4,224)
Profit for the financial year		24,872	12,704

There was no other comprehensive income for 2020 (2019: £nil)
The above results all relate to continuing operations.

The notes on pages 12 to 25 form part of these financial statements.

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



	Share capital £'000	Share premium £'000	Other reserve £'000	Profit and loss account £'000	Total equity £'000
At 1 September 2018	1	214,930	8,148	42,959	266,038
Profit for the financial year	-	-	-	12,704	12,704
Transactions with owners of the company					
Shares issued during the year	-	14,750	143	-	14,893
At 31 August 2019	1	229,680	8,291	55,663	293,635
At 1 September 2019	1	229,680	8,291	55,663	293,635
Profit for the financial year	-	-	-	24,872	24,872
At 31 August 2020	1	229,680	8,291	80,535	318,507

UPP Group Limited

Statement of financial position

as at 31 August 2020



	Notes	31-Aug 2020 £'000	31-Aug 2019 £'000
Non-current assets			
Investments	11	<u>72,132</u>	<u>71,895</u>
		72,132	71,895
Current assets			
Debtors: amounts falling due with one year	12	36,796	11,287
Debtors: amounts falling due after more than one year	12	456,320	432,344
Cash at bank and in hand	13	<u>13,439</u>	<u>10,553</u>
		506,556	454,184
Creditors: amounts falling due within one year	14	<u>(58,326)</u>	<u>(46,556)</u>
Net current assets		448,026	407,628
Total assets less current liabilities		<u>520,362</u>	<u>479,522</u>
Creditors: amounts falling due after more than one year	14	<u>(201,856)</u>	<u>(185,888)</u>
Net assets		<u>318,507</u>	<u>293,635</u>
Share capital and reserves			
Called up share capital	16	1	1
Share premium account	17	229,680	229,680
Other reserve	17	8,291	8,291
Profit and loss account		<u>80,535</u>	<u>55,663</u>
Total equity		<u>318,507</u>	<u>293,635</u>

The notes on pages 12 to 29 form part of these financial statements.

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

H Gervaise-Jones
Director

UPP Group Limited

Notes to the financial statements

for the year ended 31 August 2020



1. General information

UPP Group Limited is a private company limited by shares and incorporated in England with a company number 06218832. The registered office is 1st Floor, 12 Arthur Street, London, EC4R 9AB.

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 unless otherwise specified within the accounting policies.

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

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

This information is included in the consolidated financial statements of UPP Group Holdings Limited as at 31 August 2020 and these financial statements may be obtained from Companies House, Crown Way, Cardiff CF14 3UZ, once they have been filed.

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 Company management to exercise judgement in applying the Company's accounting policies (see note 3).

2.2 Going concern

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 Company and Company to continue as a going concern by preparing a cash flow forecast through to 31 August 2022, modelling a severe but plausible downside scenario which demonstrates that the Company and Company are expected to have sufficient funds to meet their 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 Company'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 Company.

For the 2020/21 academic year the Company has secured sufficient lettings to remain compliant with funding covenants. The Directors anticipate that the Company'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 is considered low. The Directors consider that the Company'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 Company, universities, the Government and the public are likely to be better prepared for such events such that the impact is less severe than it was in 2020.

On this basis, the Directors are confident that the Company and Company will have sufficient funds to meet their liabilities as they fall due for at least twelve months from the date of approval of the financial statements, and therefore have prepared the financial statements on a going concern basis.

2.3 Revenue

Performance obligations that relate to the management and development revenue is a construction related activity to carry out a ground, physical, geophysical, environmental and archaeological investigation and to inspect and examine the property and its surroundings in order to commence construction work. It also covers initial development of the design and specification of the works.

Revenue in respect of fees chargeable to universities for management and development is recognised as the contract progresses. The revenue recognised reflects the proportion of the work carried out at the balance sheet date measured based on costs incurred to date as a proportion of total budgeted costs.

The Group considers the services offered by the entity as a series of distinct goods or services as described in IFRS 15. These services meet the criteria of being a performance obligation satisfied over time and the same method is used to measure the entity's progress towards complete satisfaction of the performance obligation to transfer each distinct service.

Revenue on management and development is recognised at cost with no margin as profitability is considered to be negligible. If it is expected that the development will result in a loss, all of the loss is recognised when foreseen.

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



2. Accounting policies (continued)

2.4 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

2.5 Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.6 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

UPP Group Limited

Notes to the financial statements (continued)

for the year ended 31 August 2020



2. Accounting policies (continued)

2.7 Long term incentive scheme

The company operates a long-term incentive scheme for certain employees. The amount of any awards receivable by the employees will depend on the results of the entity and the overall growth of the business over a period of ten years. In certain circumstances a specific event can also trigger an earlier payment. Where the contractual cash flows under the scheme are material, the obligation is included as a financial liability representing the fair value of the future contractual obligations. These contractual cash flows are reconsidered annually.

2.8 Related party transactions

The Company is a wholly owned subsidiary of UPP Group Holdings Limited and as such the company has taken advantage of the terms of FRS 102.33.1A not to disclose related party transactions which are eliminated on consolidation.

2.9 Investments

Investments in subsidiaries are measured at cost less accumulated impairment.

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 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.

UPP Group Limited

Notes to the financial statements (continued)

for the year ended 31 August 2020



2. Accounting policies (continued)

2.13 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable and loans to and from related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

2.14 Defined contribution pension scheme

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations. 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 Company in independently administered funds.

UPP Group Limited

Notes to the financial statements (continued)

for the year ended 31 August 2020



3. Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to exercise judgement in applying the Company'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, which are significant to the financial statements, are set out below:

Impairment of non-financial assets

The Company assesses at each reporting date whether an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If it is not possible to estimate the recoverable amount of the individual asset, the Company 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.

Impairment of financial assets

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

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



4. Turnover

Turnover consists of fees received from other group companies in the amount of nil in 2020 (£1,213k in 2019). All revenue arose within the UK.

5. Operating expenses

In February 2019, as a result of the restructure performed in 2018, the Company transferred its operations and costs centres to UPP Group Holdings Limited. In year ended 2020 the Company was acting as a holding company.

	Year ended 31-Aug 2020 £'000	Year ended 31-Aug 2019 £'000
Staff Costs	-	(4,402)
Audit & tax fees	(6)	(29)
Dilapidation provision	-	(8)
Insurance	-	(69)
Rent	-	(195)
Depreciation	-	(312)
Other overheads	(11)	(1,489)
Loss for the financial year	(17)	(6,503)

6. Auditor's remuneration

	Year ended 31-Aug 2020 £'000	Year ended 31-Aug 2019 £'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	6	1
	6	1

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



7. Employee information

The employment costs of all employees included above were:

	Year ended 31-Aug 2020 £'000	Year ended 31-Aug 2019 £'000
Wages and salaries	-	3,687
Social security costs	-	431
Other pension costs – defined contribution	-	164
Temporary staff	-	120
	<u>-</u>	<u>4,402</u>

There were no employees during the year.

Key management personnel

Directors and certain senior employees who have authority and responsibility for planning, directing and controlling the activities of the Group are considered to be key management personnel. Total remuneration with respect of these individuals is £1,196,000 (2019: £867,000). The employee's pension costs in relation to those directors were £ 38,000 (2019: £54,000). The remuneration for the highest paid director was £169,000 (2019: £505,000)

Long Term Incentivisation Scheme

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

8. Interest receivable and similar income

	Year ended 31-Aug 2020 £'000	Year ended 31-Aug 2019 £'000
Interest from subordinated loan notes	43,550	36,696
Interest received on cash balances	-	189
	<u>43,550</u>	<u>36,885</u>

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



9. Interest payable and similar charges

	Year ended 31-Aug 2020 £'000	Year ended 31-Aug 2019 £'000
Loans from group undertakings	(15,968)	(14,666)
	(15,968)	(14,666)

10. Taxation

	Year ended 31-Aug 2020 £'000	Year ended 31-Aug 2019 £'000
Corporation tax		
Current tax on profits for the year	-	4,105
Payment for Group Relief	4,029	-
Adjustment to current tax in respect of prior years	(1,337)	119
Total current tax	2,693	4,224
 Taxation on profit/(loss) on ordinary activities	 2,693	 4,224

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

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



	Year ended 31-Aug 2020 £'000	Year ended 31-Aug 2019 £'000
Profit on ordinary activities before tax	27,565	16,928
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19%	5,237	3,216
Effects of:		
Expenses not deductible for tax purposes	1,305	889
Adjustments in respect of prior years	(1,337)	119
Group relief	(1,660)	
Non-taxable income	(853)	-
Tax charge on profit for the year	2,693	4,224

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.

11. Fixed asset investments

	Interest in subsidiary undertakings £'000
Investments at cost	
At 1 September 2019	71,895
Additions	237
At 31 August 2020	72,132

The additions relate to the investments made during the year in UPP (Swansea 2) Holdings 1 Limited of £190,000 and UPP (Swansea 2) Holdings 2 Limited of £47,000.

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



Subsidiary undertakings

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

	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) Holdings 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	Develop partnerships for the provision of student accommodation
UPP Residential Services Limited	100%	Ordinary	Provision of facility management services
UPP (MidCo) Limited	100%	Ordinary	Holding company

Notes to the financial statements (continued) for the year ended 31 August 2020

11. Fixed asset investments (continued)

The aggregate of the share capital and reserves as at 31 August 2020 and of profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

	Aggregate of shareholders' fund/(deficit)	Profit/(loss)
	£'000	£'000
UPP (Alcuin) Limited	27,483	1,736
UPP (Lancaster) Holdings Limited	(79,678)	5,493
UPP (Broadgate Park) Holdings Limited	15,705	966
UPP (Nottingham) Limited	16,910	6,781
UPP (Plymouth Three) Limited	17,448	(7,694)
UPP (Kent Student Accommodation) Limited	13,637	(1,491)
UPP (Loughborough Student Accommodation) Holdings Limited	(19,634)	5,460
UPP Leeds Student Residences Limited	(21,373)	854
UPP Loring Hall Limited	552	(66)
UPP (Oxford Brookes) Limited	11,372	(80)
UPP (Reading I) Holdings Limited	69,059	11,972
UPP (Kent Student Accommodation II) Holdings Limited	7,038	742
UPP (Clifton) Holdings Limited	(7,724)	919
UPP (Exeter) Holdings Limited	13,284	5,777
UPP (Byron House) Holdings Limited	(9,961)	6,284
UPP (Kent Turing) Holdings Limited	14,790	5,585
UPP (Cartwright Gardens) Holdings Limited	24,232	15,983
UPP (Duncan House) Holdings Limited	(889)	(1,935)
UPP (Hull) Holdings Limited	(5,061)	(4,618)
UPP (Swansea) Holdings Limited	(950)	(681)
UPP (Exeter 2) Holdings 1 Limited	(837)	(635)
UPP (Exeter 2) Holdings 2 Limited	32	(7)
UPP (East Park) Holdings 1 Limited	(1,928)	(1,798)
UPP (East Park) Holdings 2 Limited	138	(7)
UPP (Swansea 2) Holdings 1 Limited	(133)	(323)
UPP (Swansea 2) Holdings 2 Limited	40	(7)
UPP Bond 1 Issuer plc	5,393	(195)
UPP Projects Limited	(9,849)	(2,102)
UPP Residential Services Limited	16,710	(2,203)
UPP (MidCo) Limited	1,234	0

All subsidiaries listed above are registered at 1st Floor, 12 Arthur Street, London, EC4R 9AB.

UPP Group Limited



Notes to the financial statements (continued) for the year ended 31 August 2020

12. Debtors

	31-Aug-20 £'000	31-Aug-19 £'000
Due after more than one year		
Unsecured subordinated loan notes	198,363	191,758
Secured subordinated loan notes	257,958	240,586
	456,321	432,344
Due within one year		
Amounts owed by group undertakings	36,796	11,176
Other debtors	-	111
	36,796	11,287

Amounts owed by group undertakings noted above are interest free and repayable on demand.

The loan notes funding is provided to a number of the subsidiary undertakings.

Secured & unsecured subordinated loan notes

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

The weighted average interest rate and average period and final repayment dates on the loan notes are as below:

	Coupon rate	Period	Repayment dates
Secured subordinated loan notes	10.35%	42	Sept 2042 – Aug 2068
Unsecured loan notes	13.50%	36	Aug 2056

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



13. Cash and cash equivalents

	31-Aug-20 £'000	31-Aug-19 £'000
Cash at bank and in hand	13,439	10,553
	<u>13,439</u>	<u>10,553</u>

14. Creditors

	31-Aug-20 £'000	31-Aug-19 £'000
Due within one year		
Trade creditors	7	-
Amounts owed to group undertakings	58,280	46,516
Other taxes and social security	19	40
Other creditors	14	-
Accruals and deferred income	6	-
	<u>58,326</u>	<u>46,556</u>
Due after more than one year		
Amounts owed to parent company	201,856	185,888
	<u>201,856</u>	<u>185,888</u>

The amounts owed to group undertakings comprise of £nil (2019: £1,808,000) provided by Student UK TopCo Limited, the former ultimate parent company, £27,290,000 (2019: £32,210,000) provided by UPP Group Holdings Limited the immediate parent undertaking, £18,701,000 provided by UPP Residential Services Limited (2019: £15,649,000), £4,380,000 provided by UPP Bond 1 Limited (2019: £nil) and various other amounts totalling £7,955,000 (2019: £101,000) provided by subsidiary undertakings.

All of the above amounts owed to group undertakings noted above are interest free and repayable on demand.

	31-Aug-20 £'000	31-Aug-19 £'000
Maturity of debt		
Repayable in more than two years but less than five years	201,856	185,888
	<u>201,856</u>	<u>185,888</u>

UPP Group Limited



Loans from parent company

The loans from parent company are provided by UPP REIT Holdings. These loans bear interest at between 12.5% - 12.75% and are repayable between December 2022 and July 2024. These funds were utilised to invest in subsidiary undertakings.

15. Financial instruments

	31-Aug-20 £'000	31-Aug-19 £'000
Financial assets		
Financial assets are measured at amortised cost	506,556	443,520
	506,556	443,520
Financial liabilities		
Financial liabilities measured at amortised cost	(260,156)	(232,404)
	(260,156)	(232,404)

Financial assets measured at amortised cost comprise subordinated loan notes, bridge funding loan notes and Amounts owed by group undertakings. Financial liabilities measured at amortised cost comprise trade creditors and amounts owed to group undertakings and parent company.

16. Called up share capital

	31-Aug-20 £'000	31-Aug-19 £'000
Allotted, called up and fully paid		
11,040,160 (2019 - 11,040,160) 'A' Ordinary shares of £0.0001 each	1	1
25,000 (2019 - 25,000) 'B' Ordinary shares of £0.01 each	0	0
	1	1

The Company has authorised 21,100,000 '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 25,000 'B' Ordinary shares which carry no voting or dividend rights.

UPP Group Limited

Notes to the financial statements (continued)

for the year ended 31 August 2020



17. Reserves

Share premium

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

Other reserve

Other reserves record capital contributions related to benefits assigned by The Alma Mater Fund LP who retain the risks associated with the benefits. During 2020 an amount of £nil (2019: £143,000) non-refundable cash capital contribution was received and recorded in other reserves.

Profit and loss account

This reserve comprises of current year and prior years' profits or losses less any distributions made to the Company's shareholders.

18. Controlling party

The Company's immediate parent undertaking is UPP Group Holdings Limited. UPP Group Holdings Limited is 100% owned by UPP REIT Holdings Limited and ultimately controlled by a 60% stake held by PGGM Infrastructure Fund ("PGGM") on behalf of its pension fund clients. PGGM is incorporated in The Netherlands. It is the directors' opinion that the ultimate controlling party is PGGM.

The parent undertaking of smallest group of which the Company is a member and for which group accounts are prepared is UPP Group Holdings Limited, a company registered in UK. Copies of the accounts can be obtained from Companies House, Crown Way, Cardiff CF14 3UZ, once the accounts have been filed.

The parent undertaking of largest group of which the Company is a member and for which group accounts are prepared is UPP-REIT Holdings Limited, a company registered in Jersey, Channel Islands. Copies of the accounts can be obtained from www.upp-ltd.com, once the accounts have been filed.

19. Related party transactions

The Company is a wholly owned subsidiary of UPP Group Holdings Limited and as such the Company has taken advantage of the disclosure exemption requirement of FRS 102 Section 33 Related Party Disclosures paragraph 33.7 not to disclose related party transactions.

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

UPP Group Limited



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

	Year ended 31-Aug 2020 £'000	Year ended 31-Aug 2019 £'000
UPP (Byron House) Holdings Limited	1,102	881
UPP (Clifton) Holdings Limited	523	472
UPP (Reading 1) Holdings Limited	1,884	1,746
UPP (Cartwright Gardens) Holdings Limited	3,455	3,310
UPP (Duncan House) Holdings Limited	1,444	250
UPP (Hull) Holdings Limited	2,073	511
UPP (MidCo) Limited	4,396	4,073
	14,878	11,242

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

	31-Aug-20 £'000	31-Aug-19 £'000
UPP (Byron House) Holdings Limited	12,011	10,909
UPP (Clifton) Holdings Limited	5,310	5,211
UPP (Reading 1) Holdings Limited	19,211	18,107
UPP (Cartwright Gardens) Holdings Limited	32,625	31,181
UPP (Duncan House) Holdings Limited	15,716	14,272
UPP (Hull) Holdings Limited	25,874	23,233
UPP (MidCo) Limited	44,826	42,249
	155,574	145,161