Registered number: 06444794

UPP LEEDS STUDENT RESIDENCES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2020

COMPANY INFORMATION

Directors	M Swindlehurst H Gervaise-Jones
Registered number	06444794
Registered office	First Floor 12 Arthur Street London EC4R 9AB
Independent auditor	KPMG LLP Chartered Accountants and Statutory Auditor 15 Canada Square London E14 5GL

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STRATEGIC REPORT
FOR THE YEAR ENDED 31 AUGUST 2020

Business review

The Company's principal activity is the development, funding, and construction of student accommodation under the University Partnerships Programme, in partnership with Leeds Beckett University.

The project comprises 479 student residential accommodation bedrooms within the Leeds Beckett University campus. The rental income is underwritten by Leeds Beckett University.

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

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

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

Notwithstanding, the Board remains cognisant of the attendant risks relating to this process and will continue to actively manage these where they arise.

Principal risks and uncertainties

Financial risk management objectives and policies

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

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

Interest rate risk

The Company finances its operations through a mixture of retained profits, related party borrowings and bank borrowings. The Company exposure to interest rate fluctuations on its bank borrowings is managed by the use of interest swaps which fix variable interest rates for a period of time.

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.

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2020

Key performance indicators

The loss for the year, after taxation, amounted to £191k (2019 - £168k).

The Company has to adhere to financial covenants on the associated senior debt financial instruments. All of the financial covenants have been met during the financial year.

This report was approved by the board on 17 February 2021 and signed on its behalf.

H Gervais-Jones
Director

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 AUGUST 2020

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

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), 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 of the and of the 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 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 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 but 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 to 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.

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 page 2.

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 arising from the company's financial instruments.

At 31 August 2020, the company has net liabilities of £21,317k. The directors have received a letter of support and confirmation from the company's UPP Group Limited that financial support will be provided to the company, such that it is able to meet its liabilities as they fall due, for a period of not less than twelve months from the date of approval of these financial statements.

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.

Results and dividends

The loss for the year, after taxation, amounted to £1k *(2019 - loss £168k)*.

The directors did not declare any dividends for the year (2019 - £nil).

Directors

The directors who served during the year were:

M Swindlehurst
R Bienfait (resigned 31 January 2020)
H Gervaise-Jones

Future developments

The Directors' of the Company are not aware of any circumstances by which the principal activity of the Company would alter or cease.

Qualifying third party indemnity provisions

During the year and up to 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.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2020

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Post balance sheet events

There have been no significant events affecting the Company since the year end.

Auditor

KPMG LLP was appointed in the year as auditor of the company in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 17 February 2021 and signed on its behalf.

H Gervaise-Jones
Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UPP LEEDS STUDENT RESIDENCES LIMITED

Opinion

We have audited the financial statements of UPP Leeds Student Residences Limited ("the company") for the year ended 31 August 2020 which comprise the profit and loss account, statement of comprehensive income, balance sheet, statement of changes in equity 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 its 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 company 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 company or to cease its operations, and as they have concluded that 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 its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UPP LEEDS STUDENT RESIDENCES LIMITED

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit. We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the 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 company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UPP LEEDS STUDENT RESIDENCES LIMITED

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

Chartered Accountants
Statutory Auditor

17 February 2021

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 AUGUST 2020

	Note	**2020 £000**	*2019 £000*
Turnover	4	**-**	*1,155*
Cost of sales		**(779)**	*(878)*
Gross (loss)/profit		**(779)**	*277*
Administrative expenses		**(834)**	*(277)*
Operating (loss)/profit		**(1,613)**	*-*
Interest receivable and similar income	7	**3,027**	*1,362*
Interest payable and similar expenses	8	**(1,414)**	*(1,530)*
Profit/(loss) before tax		**-**	*(168)*
Tax on profit/(loss)	9	**-**	*-*
Profit/(loss) for the financial year		**-**	*(168)*

The notes on pages 13 to 29 form part of these financial statements.

The above results all relate to continuing operations.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 AUGUST 2020

	Note	2020 £000	*As restated* *2019* *£000*
Profit/(loss) for the financial year		-	*(168)*
Other comprehensive loss			
Fair value movement of interest rate swap	15,18	**(97)**	*(3,377)*
Other comprehensive loss for the year		**(97)**	*(3,377)*
Total comprehensive loss for the year		**(97)**	*(3,545)*

The notes on pages 13 to 29 form part of these financial statements.

Prior year restatement is disclosed in note 18.

BALANCE SHEET
AS AT 31 AUGUST 2020

	Note		2020 £000		*As restated 2019 £000*
Current assets					
Debtors due after more than one year		**29,448**		*29,619*	
Debtors due within one year		**705**		*17*	
Cash at bank and in hand	11	**1,859**		*2,335*	
		32,012		*31,971*	
Creditors: amounts falling due within one year	12	**(689)**		*(505)*	
Net current assets			**31,323**		*31,466*
Total assets less current liabilities			**31,323**		*31,466*
Creditors: amounts falling due after more than one year	13,18		**(42,371)**		*(42,416)*
Net liabilities			**(11,048)**		*(10,950)*
Capital and reserves					
Cash flow hedge reserve	17,18		**(17,891)**		*(17,794)*
Profit and loss account	17		**6,843**		*6,844*
			(11,048)		*(10,950)*

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

H Gervais-Jones
Director

The notes on pages 13 to 29 form part of these financial statements.

Prior year restatement is disclosed in note 18.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 AUGUST 2020

	Called up share capital	Cash flow hedge reserve	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 September 2019 (restated)	-	(17,794)	6,844	(10,950)
Comprehensive income for the year				
Loss for the year	-	-	(1)	(1)
Fair value movement of interest rate swap	-	(97)	-	(97)
At 31 August 2020	-	(17,891)	6,843	(11,048)

The notes on pages 13 to 29 form part of these financial statements.

Prior year restatement is disclosed in note 18.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 AUGUST 2019

	Called up share capital	Cash flow hedge reserve	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 September 2018 (as previously stated)	-	(14,990)	(3,121)	(18,111)
Prior year adjustment	-	573	10,133	10,706
At 1 September 2018 (as restated)	-	(14,417)	7,012	(7,405)
Comprehensive income for the year				
Loss for the year	-	-	(168)	(168)
Restated fair value movement of interest rate swap	-	(3,377)	-	(3,377)
At 31 August 2019 (as restated)	-	(17,794)	6,844	(10,950)

The notes on pages 13 to 29 form part of these financial statements.

Prior year restatement is disclosed in note 18.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2020

1. General information

UPP Leeds Student Residences Limited is a private company limited by shares and incorporated in England with company number 06444794. The registered office is 12 Arthur Street, London, EC4R 9AB.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The Company has chosen to apply transitional relief under Section 35.10 (i) Service concession arrangements – Accounting By Operators, and as a result its tangible fixed assets which meet the definition of service concession arrangements under Section 34 but where the contract was 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 financial statements are presented in Sterling (£), which is the Company's functional 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 management to exercise judgment in applying the Company's accounting policies (see note 3).

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

The profit and loss figures in the following notes have been shown for the Company unless otherwise specified.

The following principal accounting policies have been applied:

2. Accounting policies (continued)

2.2 Going concern

Notwithstanding a loss of £191k and net liabilities of £21,371k for the year ended 31 August 2020 The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

In preparing these financial statements, the Directors have considered the impacts of the Covid-19 pandemic on the ability of the 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 is expected to have sufficient funds 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 Company's contractual arrangements is that university counterparty bears 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 the university counterparty chose to waive rents for students that departed early but continued to meet its 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 counterparty will meet its 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 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.

The directors have received a letter of support and confirmation from the Company's parent undertaking, UPP Group Limited that financial support will be provided to the Company, such that it is able to meet its liabilities as they fall due, for a period of not less than twelve months from the date of approval of these financial statements.

On this basis, the Directors are confident that the Company will have sufficient funds to meet its 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. Accounting policies (continued)

2.3 Finance receivable and interest receivable

The Company 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 the company continues to adopt the provisions of FRS 5 (Application Note F) in determining the appropriate treatment of the principal asset of the company.

After due consideration, the Company has accounted for its investment as a finance lease receivable under SSAP 21. During the construction phase, all attributable expenditure including net finance costs are included in the cost of the finance asset. 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.

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 charge or credit is then credited or debited to finance receivable.

2.4 Income recognition

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

The amount recognised in the year is also apportioned between turnover and interest receivable in such a manner as to leave the Company in a break even position at operating profit level.

This apportionment reflects the fact that the Company generates profit through its financing activity rather than on its student lettings activity. If the Company generates an operating loss in the period no adjustment is made.

2.5 Financial reporting standard 102 - reduced disclosure exemptions

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 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of UPP Group 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.

2. Accounting policies (continued)

2.6 Debtors

Short term 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 short term debtors by considering factors such as the credit rating, the aging profile and the historic experience of the respective debtor.

2.7 Pensions

Defined contribution pension plan

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.

2.8 Related party transactions

The Company is a wholly owned subsidiary of UPP REIT 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 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 highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.10 Interest bearing loans and borrowings

Senior debt is initially measured at fair value, net of transaction costs. They are then subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant year. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected 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 cash flows, such as 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. Accounting policies (continued)

2.11 Derivative instruments

Derivatives, which include interest rate swaps and inflation swaps, are not basic financial instruments.

The Company 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 date. The gain or loss on re-measurement is taken to the Profit and Loss account in finance cost or finance income as appropriate, unless they are included in a hedging arrangement.

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

2.12 Hedge accounting

The Company applies hedge accounting for transactions entered into to manage the cash flow exposures of borrowings. Interest rate swaps are held to manage the interest rate exposures and are designated as cash flow hedges of floating rate borrowings.

Changes in the fair values of derivatives designated as cash flow hedges, and which are effective, are recognised in other comprehensive income directly in a 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 account when the hedge relationship ends at the contract termination date. 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 Company has elected to adopt hedge accounting for all its swaps which meet the qualifying criteria for hedge accounting under Section 12 of FRS 102. It is considered that the criteria to apply hedge accounting for the interest rate swap have been met.

2.13 Finance costs

Financing costs, comprising interest payable on loans and the costs incurred in connection with the arrangement of borrowings are recognised in the profit and loss account 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 any ineffective portion of fair value changes of designated for hedge accounting derivative instruments. Any movements in fair value of derivative instruments designated for hedge accounting that are effective are recognised in other comprehensive income as finance gains or losses.

2. Accounting policies (continued)

2.14 Borrowing costs

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

2.15 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.

3. Judgements in applying accounting policies 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 that are significant to the financial statements are set out below:

Valuation of interest rate swaps (Note 15)

In estimating the fair value of the IR swaps, the Company incorporates credit valuation adjustments to appropriately reflect both its own nonperformance risk and the respective counterparty's nonperformance 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 effect of nonperformance risk, the Company has considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts, and guarantees.

The financial impact of the swap are further explained in note 15.

Presentation of the finance receivable (Note 10)

Rent receivable is generated from the Company'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 Company continues to account for all its principal assets applying the policies under the extant UK GAAP, FRS 5 (Application Note F).

Each year the Company 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 company does not have the majority of significant risks and rewards. Where it does, the asset is treated as a tangible fixed asset.

The directors consider the balance of risks and rewards does not lie with the Company due to the Company not taking the key demand risk and therefore the principal asset is treated as a finance receivable.

Hedge accounting for interest rate swaps (Note 15)

The Company has chosen to apply hedge accounting for all hedging instruments which are in a qualifying hedging relationship under FRS 102 Section 12.

4. Turnover

An analysis of turnover by class of business is as follows:

	2020 £000	*2019 £000*
Provision of student accommodation	-	*1,155*
	-	*1,155*

All turnover arose within the United Kingdom.

5. Auditor's remuneration

	2020 £000	*2019 £000*
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	14	*10*

6. Employee & Director information

Staff costs, including directors' remuneration, were as follows:

	2020 £000	*2019* *£000*
Wages and salaries	283	*241*
Social security costs	20	*19*
Cost of defined contribution scheme	11	*15*
	314	*275*

The average monthly number of employees, including the directors, during the year was as follows:

	2020 No.	*2019* *No.*
Site manager (full time)	2	*2*
Administration, maintenance and cleaning (full and part time)	11	*10*
	13	*12*

Key management personnel

All directors and certain senior employees who have authority and responsibility for planning, directing and controlling the activities of the Company are considered to be key management personnel. Total remuneration with respect of these individuals is £nil (2019: £nil).

7. Interest receivable

	2020 £000	*2019* *£000*
Interest on finance receivable asset	3,027	*1,362*
	3,027	*1,362*

8. Interest payable and similar expenses

	2020 £000	*2019* *£000*
Bank interest payable	**1,414**	*1,530*
	1,414	*1,530*

The above interest payable is calculated using the effective interest method.

9. Taxation

	2020 £000	*2019* *£000*
Total current tax	-	-
Deferred tax		
Total deferred tax	-	-
Taxation on loss on ordinary activities	-	-

9. Taxation (continued)

Factors affecting tax charge for the year

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

	2020 **£000**	*2019* *£000*
Profit/(loss) on ordinary activities before tax	-	*(168)*
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2019 - 19.00%)	-	*(32)*
Effects of:		
Exempt property rental loss in the year	-	*32*
Total tax charge for the year	-	-

Factors that may affect future tax charges

A deferred tax asset of £127k (2019: £114k) in respect of available tax losses has not been recognised at 31 August 2020.

UPP REIT Holdings Limited is a Real Estate Investment Trust ("REIT"). As a result, the Company no longer pays 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 normal.

10. Debtors

	2020 £000	As restated 2019 £000
Due after more than one year		
Service concession arrangements recognised as financial asset	**29,448**	*29,619*
	29,448	*29,619*
Due within one year		
Trade debtors	**688**	-
Other debtors	**-**	*1*
Prepayments and accrued income	**17**	*16*
	30,153	*29,636*

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 Company in any other form. The Company is not obliged to support any losses, nor does it intend to do so.

Prior year restatement is disclosed in note 18.

11. *Cash and cash equivalents*

	2020 £000	2019 £000
Cash at bank and in hand	**1,859**	*2,335*
	1,859	*2,335*

12. Creditors: Amounts falling due within one year

	2020 £000	*2019 £000*
Trade creditors	**4**	*2*
Amounts owed to group undertakings	**187**	*169*
Accruals and deferred income	**498**	*334*
	689	*505*

The amounts owed to group undertakings are owed to UPP Residential Services Limited and repayable on demand and not subject to interest.

13. Creditors: Amounts falling due after more than one year

	2020 £000	*As restated 2019 £000*
Secured senior debt	**24,479**	*24,621*
Derivitive financial instruments	**17,892**	*17,795*
	42,371	*42,416*

Prior year restatement is disclosed in note 18.

14. Loans

The senior debt is provided by Barclays Bank plc and is repayable by 14 September 2044 with principal repayments having commenced on 14 December 2009. The interest rate has been fixed through the use of a swap, plus a margin, at a rate of 4.695% per annum until September 2017 and then at a rate of 5.910% per annum, there after.

Analysis of the maturity of loans is given below:

	2020 £000	*2019 £000*
Amounts falling due after more than 5 years		
Secured senior debt	**24,479**	*24,621*
	24,479	*24,621*

15. Financial instruments

	2020 £000	*As restated 2019 £000*
Financial assets		
Financial assets measured at amortised cost	**31,995**	*31,954*
Financial liabilities		
Financial laibilities measured at amortised cost	**(24,670)**	*(24,792)*
Derivative financial instruments measured at fair value	**(17,892)**	*(17,795)*
	(42,562)	*(42,587)*

Financial assets measured at amortised cost comprise finance receivable, trade debtors and cash at bank and in hand.

Financial Liabilities measured at amortised cost comprise trade creditors, amounts owed to group undertakings and non recourse loan.

In estimating the fair value of the interest rate swaps, the Company incorporates credit valuation adjustments to appropriately reflect both its own nonperformance risk and the respective counterparty's nonperformance 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 effect of nonperformance risk, the Company has considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts, and guarantees'

Interest Rate Swap

The Company's exposure to interest rate fluctuations on its bank borrowings is managed by the use of an interest rate swap which fixes variable LIBOR interest rates for the duration of the associated bank debt.

The Company entered into an interest rate swap with the senior debt provider to fix interest at 5.910%. from September 2009, maturing in September 2044. The swap is based on the principal amount of the underlying senior debt outstanding as at 31 August and 28 February each year.

At the balance sheet date the fair value of this swap was £17,892k liability (2019: £17,795k liability).

The Company applies hedge accounting for its derivative instrument as the criteria are met under section 12 FRS 102. A net hedging loss of £97k arose during the year (2019: £3,377k loss) and was recognised in the Statement of Comprehensive Income, reflecting the change in fair value of this interest rate swap.

Prior year restatement is disclosed in note 18.

16. Share capital

	2020 £000	*2019 £000*
Authorised		
1,000 *(2019 - 1,000)* Ordinary shares of £1.00 each	**1**	*1*

The Ordinary shares have the rights and restrictions as set out in the amended Articles of Association of the Company.

17. Reserves

Other reserves

Cash flow hedge reserve

The cash flow hedge reserve which includes the fair value movements on the derivatives financial instruments.

Profit and loss account

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

18. Prior year adjustment

During the financial year the Directors identified that the fair value of derivatives in prior periods had not been adjusted for the effect of the entity's own non-performance risk and that of the respective counterparty's non-performance risk.

In prior periods the Company performed the calibration of standard valuation models on inception for each derivative to determine an initial spread that calibrated the model to zero on the trade date. The initial spread was held constant and added to market interest and inflation curves at each year end. This resulted in no changes since inception in the credit spread of the derivative counterparties or the entity's own credit spread being taken into account in the value of the derivatives.

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

The impact of restating the fair value of derivatives on amounts reported in the prior-year statement of comprehensive income, balance sheet and statement of changes in equity is set out below.

As at 1 September 2018
• Increase of £573k in the cash flow hedge reserve from £14,990k (negative) to £14,417k (negative).

As at 31 August 2019
• Decrease of £570k in comprehensive loss from £4,115k to £3,545k in the year
• Decrease of £1,143 in creditors: amounts falling due after more than one year from £41,273k to £42,416k.

The calculation of the outstanding service concession arrangements recognised as financial asset has also been restated.

The impact of the restatement in the prior-year balance sheet and statement of changes in equity is set out below.

As at 1 September 2018
• Increase of £10,133k in the profit and loss account from £3,121k (negative) to £7,012k (positive).

As at 31 August 2019
• Increase of £10,133k in debtors due after more than one year from £19,486k to £29,619k in the year.

19. Controlling party

The Company is wholly owned by UPP Group Limited, a wholly owed subsidiary of UPP Group Holdings Limited.

UPP Group Limited is a wholly owned subsidiary of UPP REIT Holdings Limited.

UPP REIT Holdings Limited is controlled by a 60% stake held by PGGM Vermogensbeheer BV ("PGGM"), a company incorporated in The Netherlands.

It is the directors' opinion that PGGM is the ultimate controlling party.

The group of which the Company is a member and for which group accounts are prepared is UPP Group Holdings Limited and UPP REIT Holdings Limited.

Copies of the UPP Group Holdings Limited accounts can be obtained from Companies House, Crown House, Cardiff CF14 3UZ, once they have been filed.

Copies of the UPP REIT Holdings Limited accounts can be obtained from www.upp-ltd.com, once they have been published.