UPP Bond 1 Limited Investor Report

For the year ended 31 August 2019

UPP BOND 1 LIMITED INVESTOR REPORT

INTRODUCTION

Investor report for the year ended 31 August 2019

This annual Investor Report is delivered pursuant to Schedule 9 Part 1 of the Common Terms Agreement ('CTA') and covers the year ended 31 August 2019.

The date of this Investor Report is 12 December 2019.

Unless otherwise defined herein, capitalised terms have the meanings given in the Prospectus for the £5,000,000,000 multicurrency programme for the issuance of senior secured notes dated 5 March 2013, and as updated on 1 December 2014.

1.0

General overview

Photo credit: Robert Greshoff

GENERAL OVERVIEW

UPP Bond 1 Holdings Limited

UPP Bond 1 Holdings Limited announces its results for the year ended 31 August 2019

Audited financial highlights for the year ended 31 August 2019

£'000	Year ended 31 August 2019	Year ended 31 August 2018	Change %
Turnover	66,375	64,329	3.2%
Gross profit	47,149	45,342	4.0%
EBITDA*	44,492	42,352	5.1%
EBITDA margin*	67.0%	65.8%	1.2%

**EBITDA before sinking fund expenditure*

Business highlights

- Occupancy for 2018/19 of 99.2% (2017/18: 100.0%)
- Turnover up by 3.2% to £66.4m, reflecting RPI-linked annual term rental income increases
- Increase in gross profit of 4.0% to £47.1m and EBITDA of 5.1% to £44.5m
- EBITDA margin increase of 1.2% year on year to 67.0%
- Strong demand has continued into 2019/20 with projected occupancy across all AssetCos in excess of 99.8%
- Shareholders elected to fund £2.9m additional investment in the accommodation at Plymouth over three years, resulting in a Trigger Level 2, Phase 1 Monitoring Event and, as required by the Monitoring Services Agreement, the AssetCo has developed a remedial plan in full consultation with the Monitoring Adviser
- Term rental income predicted to increase by 2.6% compared to 2019

Richard Bienfait,
Chief Executive Officer

"Once again, the results for UPP Bond 1 Holdings Limited for the financial year ended 31 August 2019 underline the attractiveness of UK higher education as a sector offering opportunities for investors seeking stable, long-term returns based on asset-backed, RPI-linked revenues. The unique model of partnership developed by UPP over the last two decades is testament to the mutual benefits available to all parties where the interests of each are genuinely aligned over the long term.

The year saw an increase in turnover of 3.2% to £66.4m and, as a result, EBITDA was up by 5.1% to £44.5m.

Evidence from UCAS continues to suggest that, despite the uncertainties of Brexit, demand from EU and international students remains robust and levels of participation of young people from the UK remain at a record high.

"Demand from EU and international students remains robust and levels of participation of young people from the UK remain at a record high."

May 2019 saw the publication of the Independent panel report to the Review of Post-18 Education and Funding. Whilst the Report makes numerous recommendations in relation to the level of tuition fee and maintenance loan arrangements, the implementation of any changes to existing policy is highly uncertain and rests on the outcome of current political uncertainty. It is highly unlikely that any of these proposals will impact negatively on academic demand or result in universities choosing to ignore the benefits of providing students with the best facilities developed alongside expert partners."

Enquiries

UPP	Henry Gervaise-Jones	Chief Financial Officer	Tel: 020 7398 7200
	Jon Wakeford	Group Corporate Affairs Director	

1.1 Summary of the UPP Group business

UPP Group (defined as UPP REIT Holdings Limited and its subsidiaries) is the UK's leading provider of on-campus residential and academic accommodation infrastructure and currently has over 35,000 student rooms in operation or under construction through long-term partnerships with 15 leading UK universities, of which 11,693 are rooms operated by the asset companies ('the AssetCos').

The key features of UPP Group's cash-generative business model, based on bespoke partnerships with universities including the seven AssetCos, are:

- An integrated service model for universities encompassing the funding, design, construction and operation of student accommodation
- A business model underpinned by long-term contracts (typically in excess of 40 years) with all partner universities
- Annual rent increases for the life of the project linked to the Retail Price Index ('RPI')
- A restrictive covenant regime that limits long-term competing university supply in order to maintain project demand dynamics
- Established partnerships with leading institutions, targeted on the basis of its own rigorous selectivity criteria
- Accommodation always located on, or very near to, campus, which is the preferred location for target cohorts of first-year domestic and international undergraduate and postgraduate students
- Average occupancy over the last five years in excess of 99.5% across the AssetCos
- Credit and void risk is passed to the university partner once a student of the university enters into a student residence agreement
- The university partner markets UPP accommodation at the agreed rent concurrent to its own stock
- Each AssetCo has the ability to pass cost increases in utilities, insurances and those resulting from a change of law through to student rents to the extent that they are not covered by the annual RPI-linked uplift
- Facilities management costs are subject to five-yearly benchmarking exercises

1.2 Summary of bond issuance

On 5 March 2013, UPP Bond 1 Issuer Plc issued a £382.1m secured bond listed on the Irish Stock Exchange ('ISE'). The Bond was secured against the income from the properties at the universities of York, Nottingham, Nottingham Trent, Kent, Oxford Brookes and Plymouth. UPP Bond 1 Holdings Limited is a wholly-owned subsidiary of UPP Group Holdings Limited and was set up to be the intermediate holding company for the six AssetCos.

This issuance comprised two tranches:

- £307.1m 4.9023% amortising fixed rate bond due 2040
- £75.0m 2.7921% amortising index-linked bond due 2047

On 9 December 2014, the Group acquired UPP (Exeter) Limited from UPP Group Holdings Limited. On the same day, UPP Bond 1 Issuer Plc issued a new tranche of £149.7m 1.037% amortising index-linked secured notes, listed on the ISE. These funds were on-lent to UPP (Exeter) Limited to enable that company to repay its bank facilities and associated costs. This tranche is due in 2049.

Proceeds of the issuances, along with a tranche of unsecured subordinated debt, were utilised to:

- Repay existing senior bank facilities owed by the seven AssetCos
- Fund the payment of break costs crystallised on the termination of the interest rate and RPI hedging arrangements in place with the current bank funders
- Prefund a debt service reserve account for the new bond issuance
- Purchase minority interest shareholdings held by two of the university partners in the relevant AssetCos
- Fund the costs associated with the transaction

Interest and principal repayments are due in February and August each year.

2.0

Trading update

Photo credit: Robert Greshoff

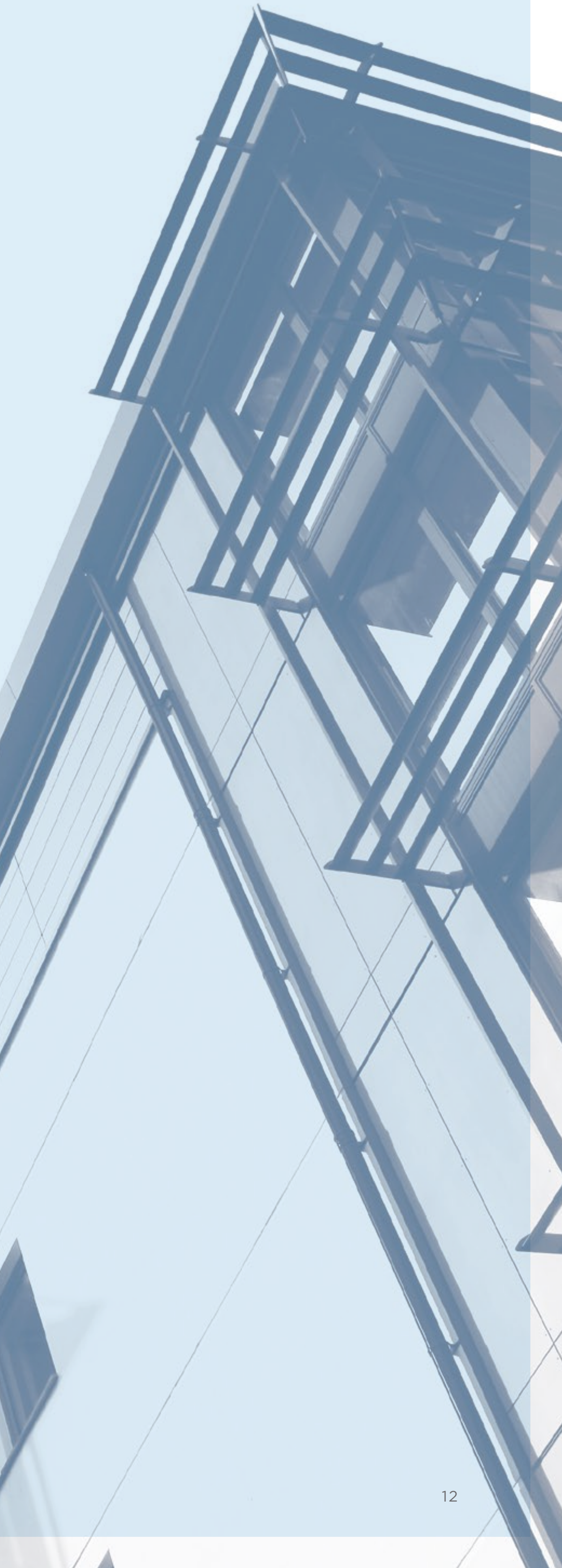
2.1 Business Developments

The principal activities of the Company during the year continue to be the operation, including facilities management ('FM'), of student accommodation under the University Partnerships Programme ('UPP').

In January 2019, the Group reached financial close on the 1,182-bed East Park project as part of its ongoing partnership with the University of Exeter. UPP procured a total of £139.7m senior debt, subordinated debt and equity. Pension Insurance Corporation plc ('PIC') provided £125.1m of index-linked debt financing with a tenor of circa 48 years, with £14.6m of subordinated debt and equity provided by UPP Group and its Shareholders.

UPP appointed Vinci Construction UK Limited to deliver the development and construction is now well underway. The scheme is set to become operational over two phases in September 2020 and September 2021 and, when complete, the Group will be operating 4,156 rooms on campus.

During August 2019, the final phase of the £155m Westfield Court development at the University of Hull was completed for the start of the 2019/20 academic year. Construction began in May 2017, with the first phase delivering 478 high-quality bedrooms on the University campus. Phase Two – a further 124 bedrooms - became operational as planned for January 2019.



In total, the nine-block development features 1,462 brand new single rooms and one-bedroom apartments. Alongside this development, an urban green and avenue offer a range of facilities including laundry rooms and formal and informal outdoor areas. UPP also assumed the operation of the existing 288 rooms at the University's Taylor Court residences.

In partnership with the University of London, in August 2019 the Group also delivered a further 511 rooms at Eleanor Rosa House in Stratford, East London, in time for the start of the 2019/20 academic year. The scheme provides a mixed-use, 33-storey landmark building delivering over 18,000 square metres of new student accommodation. UPP is operating all study bedrooms and associated communal space.

Following the year end, on 2 December 2019, the Group reached financial close on a £43m deal with St Modwen Developments, Swansea University and Swan Global LLP for the acquisition of the freehold of 411 rooms at Bay Campus, where UPP will deliver a full facilites management service. The deal takes the number of room operated by UPP on the Bay Campus to 2,432.

Also following the year end, the fire safety of student accommodation has become a focus of Government and media attention following a recent fire at student accommodation in Greater Manchester. In light of this, and the Grenfell Tower tragedy in June 2017, UPP established a Fire Safety Working Group. This is focused on three key workstreams – fire safety compliance, construction and cladding and communicating with stakeholders.

All buildings across the portfolio have been fully audited, with the findings presented to university partners. All of our buildings comply with prevailing building regulations. We continue to work with partners to ensure that all residents remain cognisant of these and will take any appropriate action should it be required.

On 1 January 2019, Henry Gervaise-Jones was appointed to the Board of UPP Bond 1 Holdings Limited and assumed the role of Chief Financial Officer for its parent company UPP REIT Holdings Limited. From the same date, Richard Bienfait, the former Chief Financial Officer, was appointed Chief Executive Officer.

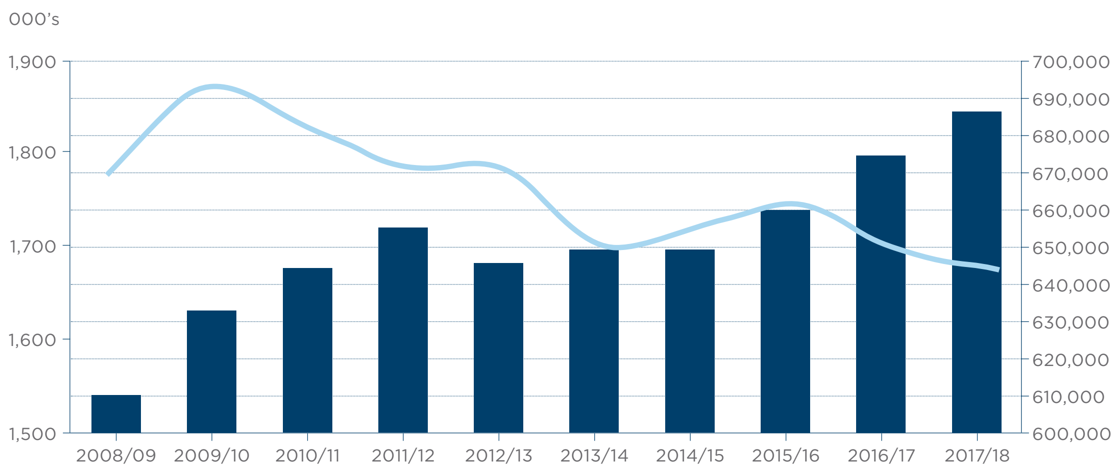
Shortly following the financial year end, on 3 September 2019, Richard Bienfait announced that he will be stepping down from this role at the end of January 2020. Richard will remain in post until this time and recruitment has commenced to appoint a new CEO.

In the event that a new CEO is unable to join the Company before Richard departs at the end of January, Chairman Robert McClatchey will assume an executive role and lead the Business, with the support of the Executive Leadership Team, to ensure continuity of decision-making and a smooth transition to the new CEO. Robert has had a long association with the Business, was appointed Chairman of the Group in 2016 and is Chair of the Audit and Remuneration Committees.

2.2 General Overview

The UK higher education ('HE') sector remains a global destination for students, with demand for UK institutions having grown exponentially and both European Union ('EU') and international applicant numbers remaining strong. Full-time student enrolments to UK institutions grew by 2.6% year on year for 2017/18 to more than 1.8m. As Figure 2.21 identifies, enrolments have continued to increase despite a fall in the number of 18-year-olds in England. This demographic dip has now reached its lowest point and, according to the Higher Education Policy Institute, the population of this cohort is expected to increase by 23.0% over the coming decade.

Figure 2.21 – Full-time enrolment (bar) and 18-year-olds (line) 2008/9 to 2017/18



Source: HESA (Headcount)/ONS

Given that the supply of Purpose-Built Student Accommodation ('PBSA') has increased by less than 327,000 units over the same period, demand for accommodation remains robust.

Main scheme data from the Universities and Colleges Admissions Service ('UCAS') also identifies continued levels of demand from new applicants to UK institutions for the academic year 2019/20. The 30 June 2019 deadline data set (shown in Figure 2.22) identifies a 0.2% increase in overall applications to 638,030. Applicants from the UK fell by just 1.1% to a total of 506,040. Student applicants from the EU (excluding the UK) increased by 1.1% to 50,650. The data also underlines the continuing popularity of UK HE with international (non-EU) applicant numbers increasing by 7.9% to 81,340 - an increase of more than 5,000 applicants.

Particularly encouraging were applicant numbers from the 18-year-old population, which increased by just over 1.0%. In England, the 18-year-old application rate increased to a record 39.5% from 38.1% at the same point in 2018. This increase comes against a backdrop of an almost 1.9% fall in the UK's 18-year-old population. There are now well over 275,000 18-year-old applicants to UK universities each year.

Figure 2.22 Applicants for all courses by domicile group (30 June 2019 deadline)

App. Domicile	2015/16	2016/17	2017/18	2018/19	2019/20
England	460,740	459,430	437,860	421,610	418,940
Northern Ireland	20,800	21,100	20,290	19,310	18,520
Scotland	48,490	49,470	48,940	48,710	47,110
Wales	23,550	23,740	22,530	21,830	21,470
UK	**553,580**	**553,740**	**529,620**	**511,460**	**506,040**
EU (excluding UK)	48,930	51,850	49,250	50,130	50,650
Non-EU	70,530	69,300	70,830	75,380	81,340
Total	**673,040**	**674,890**	**649,700**	**636,970**	**638,030**

Source: UCAS

In terms of the longer-term trends, the most recent UCAS End of Cycle Report (2018), which provides a national overview of demand for, and acceptances to, undergraduate UK HE, identifies that whilst applicant numbers have declined since the 2016 cycle, the number of acceptances issued by universities has seen a small increase. The effect of this has been to increase the overall acceptance rate across the sector by 0.4 percentage points to reach 76.7% – the highest seen since 2008. This suggests that universities are choosing to expand the range of their usual entry requirements to accept applicants with different grade profiles or qualifications. There were 533,360 acceptances issued during the most recent full application cycle. UCAS notes that the data identifies that the appetite for UK HE remains strong and continues to grow year on year.

3.0

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Financial highlights

For the year ended 31 August 2019

Photo credit: Robert Greshoff

FINANCIAL HIGHLIGHTS

Highlights of the audited consolidated results of UPP Bond 1 Holdings Limited were:

- Occupancy for 2019 at 99.2% (2018: 100.0%)
- Turnover increased to £66.4m which is a 3.2% underlying increase on 2018
- EBITDA before sinking fund of £44.5m (2018: £42.4m)
- Healthy cash balance of £37.4m, made up largely of liquidity reserve accounts and short-term working capital requirements
- Payments to subordinated debt loan notes of £7.4m (2018: £9.7m)
- An additional £2.9m investment in the Plymouth AssetCo to enhance the asset in 2019, 2020 and 2021

For the year ended 31 August 2019, the UPP Bond portfolio had a historic annual debt service coverage ratio ('ADSCR') for the period of 1.29, compared to a lock-up ADSCR of 1.15.

Rental income was fixed at the start of the academic year along with a significant proportion of the costs which are subject to contractual RPI increases. The main exception is utility costs, however, this was managed by buying ahead where possible and by careful management and monitoring. With occupancy secured at 99.2%, performance for the year was again strong, with a subordinated debt loan notes distribution of £7.42m made on 31 August 2019.

The subordinated debt loan notes distribution decreased year on year due to £2.9m transferred to the Maintenance Reserve Account of UPP (Plymouth Three) Limited.

The Group made a loss for the year of £12.4m (2018: £11.8m). Of this loss, £16.5m (2018: £19.8m) is attributable to interest on subordinated debt, of which £7.42m (2018: £9.66m) was paid at the end of the 2018/19 financial year.

Consolidated profit and loss results for the seven AssetCos, UPP Bond 1 Limited, UPP Bond 1 Holdings Limited and UPP Bond 1 Issuer Plc are presented below for the financial year ended 31 August 2019.

3.1 AssetCo consolidated profit and loss account for year ended 31 August 2019

	Year ended 31 August 2019	Year ended 31 August 2018	Change %
	£'000	£'000	
Turnover	66,375	64,329	3.2%
Cost of sales	(19,226)	(18,987)	(1.3%)
Gross profit	47,149	45,342	4.0%
Gross profit margin	71.0%	70.5%	
Operating expenses	(2,657)	(2,990)	11.1%
EBITDA before sinking fund expenditure	44,492	42,352	5.1%
EBITDA margin	67.0%	65.8%	
Sinking fund expenditure	(6,994)	(5,300)	(32.0%)
EBITDA	37,498	37,052	1.2%

Turnover is defined to include rental receipts from students net of contractual amounts deducted by university partners for taking credit and void risk, upside sharing arrangements, commercial and vacation income derived from other activities at each asset company ('the AssetCos'), together with any payments or receipts under the relevant RPI-linked swaps. With typically high occupancy, the main driver of turnover growth is the annual RPI-linked increase in the rental rate.

For the year ended 31 August 2019, occupancy was 99.2% (2018: 100.0%). The growth in turnover was 3.2% (2018: 2.6%) which was driven by RPI-linked rental income and increases achieved above RPI. With the exception of UPP (Oxford Brookes) Limited, rents for all the AssetCos were set 12 months prior to the start of the academic year when RPI was 3.97%.

Cost of sales, which is made up of facilities management ('FM') costs, employee costs and utilities, increased by 1.3% (2018: 0.1%) during the year. This is due to a reduction in utility costs offset by contractual increases, FM and employee costs primarily linked to RPI as at September 2017.

Overheads decreased by 11.1% (2018: increase of 5.7%) due to a decrease in approved variations in the year. Approved variations include £116k for remediation works at UPP (Exeter) Limited in relation to the monitoring of the ongoing rectification of defects.

The EBITDA margin before sinking fund expenditure is 67.0% (2018: 65.8%).

Sinking fund costs are made up of items throughout the accommodation that reach the end of their economic life and require replacement. While sinking fund expenditure is highly predictable and modelled in line with the relevant replacement period for each item, it is not necessarily comparable from one year to the next. However, in 2019, the increased spend of 32.0% is largely due to the additional investment at UPP (Plymouth Three) Limited as noted in section 3.0.

A more detailed analysis of the performance of each individual AssetCo is provided in Appendix 1 of this report.

3.2 Forecast financial highlights for the year ended 31 August 2020 for the seven AssetCos

- Occupancy for the year currently standing at 99.8% across the AssetCos
- Rental income is projected to increase by 2.6%
- Projected ADSCR ratio of 1.33 compared to lock-up ratio of 1.15

AssetCo occupancy is secured at 99.8% for the 2019/20 academic year for the seven AssetCos, resulting in an expected rental income net of contractual university fees of circa £67.0m – an underlying increase of 2.6% on 2018/19.

The Projected Senior ADSCR as at 31 August 2019 was 1.33.

3.3 Sinking fund and operational performance

FM services are provided by UPP's 100%-owned subsidiary, UPP Residential Services Limited (URSL). UPP considers that controlling the FM provider is crucial to the success of the AssetCos. Services are delivered to the highest level possible to ensure the continued attractiveness of the accommodation and to maximise occupancy for future years.

This targeting of high service levels is reflected in the performance of the FM provider. During the financial year ended 31 August 2019, URSL suffered no deductions for unavailability or poor performance and this reflects the high standards set in previous years.

Sinking fund expenditure is managed by URSL. In total, £7.0m (2018: £5.3m) was invested by the AssetCos to maintain the quality of the accommodation.

During the year an additional £2.9m was deposited into the Plymouth Maintenance Reserve Account as a provision for approved additional sinking fund works at the site. £1.8m was invested in 2018/19, with the remaining balance to be spent in 2019/20 and 2020/21.

During 2017, UPP (Exeter) Limited successfully reached agreement with the contractor in relation to a latent defect identified in its newly built accommodation during the year ended 31 August 2015. A programme of remediation works to rectify the latent defect is currently underway which will continue throughout 2019/20 and 2020/21.

4.0

Ratio calculations

Photo credit: Robert Greshoff

As set out in Paragraph 2 of Part 2 of Schedule 9 of the Common Terms Agreement ('CTA'), the ratio calculations for the year ended 31 August 2019 are:

4.1 Historic AssetCo DSCR

UPP (Alcuin) Limited	1.35
UPP (Broadgate Park) Holdings Limited	1.46
UPP (Kent Student Accommodation) Limited	1.47
UPP (Nottingham) Limited	1.45
UPP (Oxford Brookes) Limited	1.41
UPP (Plymouth Three) Limited	0.53
UPP (Exeter) Limited	1.37

4.2 Projected AssetCo DSCR

UPP (Alcuin) Limited	1.35
UPP (Broadgate Park) Holdings Limited	1.30
UPP (Kent Student Accommodation) Limited	1.49
UPP (Nottingham) Limited	1.31
UPP (Oxford Brookes) Limited	1.41
UPP (Plymouth Three) Limited	1.19
UPP (Exeter) Limited	1.40

4.3 Historic senior DSCR	1.29
4.4 Projected senior DSCR	1.33

The Historic Senior DSCR and Projected Senior DSCR have been calculated as per the definition in the CTA.

Per Schedule 10 (Monitoring Trigger Events and Lock-up Events), the Historic Senior DSCR and the Projected Senior DSCR exceed 1.15:1 for the Test Period. However, the Historic AssetCo DSCR ratio for UPP (Plymouth Three) Limited did not reach the required ratio of 1.05:1, therefore activating a Trigger Level 2, Phase 1, Monitoring Trigger Event. A remedial plan has been developed with the Monitoring Adviser in accordance with the Monitoring Service Agreement.

As per Part 4 of this Schedule (Lock-up Events), the Historic Senior DSCR and Projected Senior DSCR does not give rise to a Lock-up Event under Paragraph 1.1.

4.5 Current hedging policy

On 5 March 2013, the Group entered into three inflation-linked swaps (RPI swaps) to reduce its exposure to inflation on the revenue streams generated by the AssetCos. These swaps are sized to cover 80.0% of the anticipated debt service costs on the fixed rate tranche of the Bond, in line with the Hedging Policy outlined in Schedule 13 of the CTA.

Receipts and payments on the RPI swaps are recognised as they are incurred over the life of the arrangement.

For the year ended 31 August 2019 the Group has recognised the fair value of derivatives [in accordance with FRS 102]. In recognising this fair value, the Group has considered the contractual rent basis of each of the AssetCos – and whether the criteria is met to utilise hedge accounting – and ascertained that for four out of the six AssetCos that have entered into inflation-linked swaps, the hedge accounting criteria had been met and movements in the fair value of these derivatives are taken through reserves rather than the profit and loss.

The Directors of the Group consider that the underlying contractual arrangements with UPP (Kent Student Accommodation) Limited and UPP (Plymouth Three) Limited, and their respective university partners, did not meet these criteria and therefore hedge accounting could not be utilised and any movements in fair value of the inflation-linked swaps will be recognised within the profit and loss account of each AssetCo. We note, however, that these limitations within Section 12 of FRS 102 in the application of hedge accounting do not impact the Group's cash flow position. The reasons for entering into RPI swaps remain commercially sound - that is they are intended to be held to maturity in order to reduce volatility in the Group's cash flows.

4.6 Distributions made

In accordance with the terms of the Loan Note Instrument dated 5 March 2013 – entered into by UPP Bond 1 Holdings Limited and UPP Group Limited – and the terms of the CTA, an amount of £7,420,000 (2018: £9,660,000) was distributed to UPP Group Limited on 31 August 2019.

4.7 Confirmation

As per paragraph 3.3.4 of Schedule 9 of the CTA, this confirms that:

a) The Investor Report attached herein is accurate in materially all respects; and

b) No Default, Senior DSCR Enforcement Event, Lock-up Event or Monitoring Trigger Event has occurred and is continuing except as notified on 4 September 2019 in respect of UPP (Plymouth Three) Limited; and

c) The Group is in compliance with the Hedging Policy.

Signed for and on behalf of UPP Bond 1 Issuer Plc

Henry Gervaise-Jones

Chief Financial Officer

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Monitoring Adviser Addendum

£5 billion Multicurrency Programme for the Issuance of Senior Secured Notes

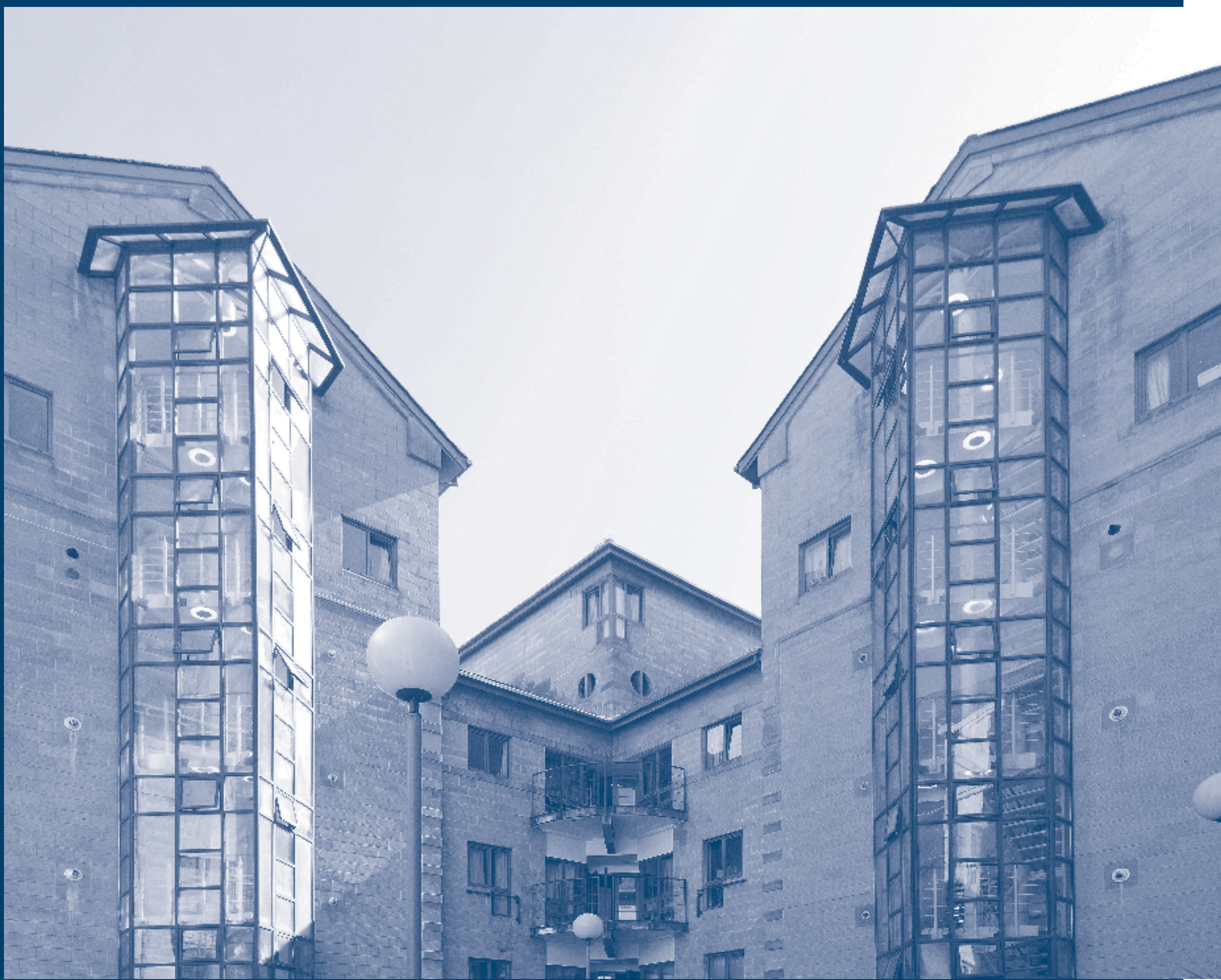

Photo credit: Robert Greshoff

A. Background

UPP Bond 1 Issuer PLC (the 'Issuer') has prepared its Annual Investor Report for the year ended 31 August 2019 in relation to the Issuer's note programme (the 'Programme'). Bishopsfield Capital Partners Limited ('Bishopsfield' or 'BCP'), as Monitoring Adviser, is required under the terms of the Monitoring Services Agreement ('MSA') dated 5 March 2013 to prepare an addendum to the Annual Investor Report (the 'MA Addendum') commenting, inter alia, on whether on the basis of information obtained by the Monitoring Adviser in the performance of the Services, and in accordance with the Monitoring Adviser Standard, it agrees with the matters stated in the Annual Investor Report. The MA Addendum is also required to identify:

- MA ('Monitoring Adviser') Direction Matters and ISC ('Issuer Secured Creditor') Recommendation Matters decided during the year to which the Annual Investor Report relates (see Section C below); and
- any other information which the Monitoring Adviser considers relevant to Holders including any material findings arising from its monitoring obligations described in Paragraph 1.3 (Property Visits) of Schedule 1 (Monitoring Services), Part 1 (Monitoring under Normal Conditions) of the MSA (see Section D below), and Part 2 (Monitoring under Stress Conditions) of the MSA (see Section E below).

This MA Addendum refers to matters arising during the period from 1 September 2018 through 31 August 2019 unless otherwise stated herein.

B. Executive Summary

Bishopsfield has reviewed the Issuer's Annual Investor Report. On the basis of the information provided and discussions held with the Issuer's management in the ongoing undertaking of the Monitoring Adviser Services, Bishopsfield agrees the matters stated in the Issuer's Annual Investor Report.

There are presently three tranches of notes outstanding:

- £307.1m 4.9023% Amortising Fixed Rate Bond due 2040;
- £75.0m 2.7921% Amortising Index-Linked Bond due 2047; and
- £149.7m 1.037% Amortising Index-Linked Bond due 2049

Occupancy across the seven AssetCos was reported at 99.2% for the 2018/19 academic year.

EBITDA, before sinking fund payments, was £44.492m on turnover of £66,375m.

We note that, whilst monitoring was conducted under normal conditions throughout the year to 31 August 2019 (as described in Section D of this MA Addendum), monitoring under stress conditions commenced on 1 September 2019 following the occurrence of a Trigger Level 2, Phase 1 Monitoring Trigger Event. This resulted from a Trigger Level 2, Phase 1 Monitoring Event occurring relative to UPP (Plymouth Three) Limited. Following such a trigger event, there are certain actions required from ParentCo and the relevant AssetCo. This is discussed in Section E of this MA Addendum.

One distribution of £7.42m was announced in relation to the last academic year and this was reported to have been paid on 31 August 2019. A Compliance Certificate dated 30 August 2019 was received in respect of this distribution.

There were two MA Proposal Requests received and recommended by Bishopsfield during the referenced year. These are summarised in Section C of this MA Addendum.

This autumn, during September 2019, we visited the AssetCo properties at the University of Plymouth and the University of Exeter. The Site Visits are summarised in Section D of this MA Addendum. Both Site Visits focused on the remediation activities focused on (i) improving occupancy at the Robbins and Gilwell residences located in Plymouth and (ii) the façade and pod remediation works at Exeter.

We noted certain management changes during the year; these included the appointment of Richard Bienfait as Chief Executive Officer (we note that UPP has recently announced that Richard Bienfait will step down from this role at the end of January 2020) and of Henry Gervais-Jones as Chief Financial Officer, both during January 2019.

The Issuer provided three Compliance Certificates during the 12 months ended 31 August 2019:

- Compliance Certificate dated 20 December 2018 in relation to Audited Financial Statements for the year ended 31 August 2018;
- Compliance Certificate dated 30 April 2019 in relation to unaudited semi-annual Financial Statements for the first half of the financial year ending 31 August 2019 (i.e. for the six months ending 28 February 2019); and
- Compliance Certificate dated 30 August 2019 in relation to a Distribution reported by the Issuer to have been made on 31 August 2019.

C. MA Proposal Requests received

The Monitoring Adviser considered two MA Proposal Requests during the year to 31 August 2019:

1) On 21 June 2019, ParentCo sought consent related to entering into a Deed of Novation and a Collateral Warranty in relation to the appointment of Bailey Partnership (Consultant) LLP ('LLP') as Independent Certifier and the provider of monthly reports to Bishopsfield in relation to the façade and pod remediation works at UPP (Exeter) Limited. In summary, through the novation, LLP assumes all of the past and future liabilities of Bailey Partnership ('BP') on the same terms. BP was reported to have been dissolved, which effectively rendered the previously entered into deed of appointment and collateral warranty void.

   Bishopsfield confirmed the categorisation of the MA Proposal Request as an MA Direction Matter and made a conditional recommendation that the Issuer Security Trustee approves the MA Proposal Request on behalf of the Issuer Secured Creditors. We note that two of the conditions of our recommendation and the Issuer Security Trustee's consent remain outstanding; we have reminded ParentCo that these matters are and remain conditions to implementing the consent requested.

2) On 1 August 2019, ParentCo sought consent for the Issuer to approve Plymouth AssetCo exceeding its approved Operating Budget for the financial year ended 31 August 2019.

   In summary, following an observed reduction in demand for Plymouth AssetCo's Robbins and Gilwell accommodation, together with feedback from students and the University of Plymouth, Plymouth AssetCo sought consent to invest an additional £2.9m of Sinking Fund works (over and above that already projected and budgeted) over three years. Of this amount, circa £1.8m was incurred during the 2018/2019 financial year. The cost of the works is born by ParentCo through a reduction in the existing inter-company loan from ParentCo to Plymouth AssetCo. In addition, the £1.1m budgeted for the subsequent two financial years has been added to the relevant Sinking Fund reserve.

   Bishopsfield confirmed the categorisation of the MA Proposal Request as an MA Direction Matter and made a conditional recommendation that the Issuer Security Trustee approves the MA Proposal Request on behalf of the Issuer Secured Creditors. We can confirm that, as at the date of this MA Addendum, the conditions have either been, or are being (as the case may be) satisfied. In particular we note that (i) WSP is being engaged to provide the Lifecycle Report referenced as a condition to our Monitoring Adviser Recommendation; (ii) we undertook a Site Visit during September 2019, observing the 2018/2019 Works (as defined in the relevant MA Proposal Request) and meeting with the University of Plymouth Registrar; and (iii) the remedial plan referenced in the MA proposal Request has been received.

D. Monitoring under Normal Conditions[7]

1. REGULAR UPDATES

1.1. Management meetings

In addition to the 1 November 2018 Management Meeting that we discussed in our previous MA Addendum, two further Management Meetings have been conducted:

Bishopsfield met with Management on 13 May 2019. Discussions focused on:

- Market environment; management commented on:
  - Demand being strong (99.2% occupancy)
  - Observed growth of student numbers exceeding that observed across the overall sector through the last decade
  - The demographic dip in the number of 18-year-olds 'bottoming-out' during 2019, with 23.0% growth in this demographic group expected through the coming decade
- Policy changes; management commented that it is observing closely any implications for UPP arising from the Hackitt review of building regulations and fire safety following the Grenfell Tower tragedy
- BREXIT; management commented that BREXIT was not yet having an observable impact on AssetCo performance. However, it was likely that it was having an impact on new policies towards the sector
- Existing and anticipated MA Proposal Requests (see Section C above for additional details):
  - Bailey Partnership novation; and
  - Plymouth operating budget
- Occupancy projections; management commented on the then current demand outlook for 2019/2020

Bishopsfield met with Management on 11 November 2019. Discussions focused on:

- University Accommodation: Competitive Landscape
  - Demand for and supply of student accommodation; management discussed the continued competitive landscape and robust student demand witnessed this year, including better than anticipated demand at the University of Plymouth
  - The Augur Review and whether it will be implemented
  - Potential implications of different December 2019 General Election results on government policy; management commented that, until any manifestos are published, it is difficult to comment on any specific implications
  - BREXIT; management commented on the continuing uncertainty; however, demand is generally healthy from international students, including those from the EU
  - New visa arrangements; management commented that the newly announced two-year Tier Four visa rules were likely to have a positive influence on international student demand
- AssetCos Financial Review
  - Management commented on the robust performance of individual AssetCos through 2018/19. Statutory financials were reported as being finalised
  - Occupancy forecasts for 2019/20 were discussed, highlighting that all were forecast at 100.0% except for Broadgate Park (99.7%) and Plymouth (98.7%)
- Status of Proposal Requests/subsequent implementation; discussion focused on:
  - Exeter Settlement Agreement and related latent defect works
  - Plymouth remedial plan implementation
- Management changes
  - UPP confirmed that Richard Bienfait will depart as CEO in January 2020. The search for a replacement is at an advanced stage, and plans are in place to manage through any interim period before the new appointee's arrival

1.2. FM Provider

FM services are provided by UPP Residential Services Limited (URSL). URSL has provided the information that Bishopsfield has requested largely in a timely manner; the information related primarily to the University of Exeter Property Visit conducted during September 2019, the MA Proposal Requests received and certain questions/clarifications arising during the Operating Budget review.

1.3. Property Visits

1.3.1. University of Exeter

BCP conducted a Site Visit to the University of Exeter accommodation during September 2019. Prior to financial close, a comprehensive report was produced by WSP and dated October 2012 (the 'WSP Report') following discussions with UPP Group management we elected to rely on the aforementioned WSP report, together with a Life Cycle Report produced by URSL.

BCP met local employees and was accompanied by members of UPP's head office. Employees demonstrated knowledge and awareness of both local and national UPP practices and procedures. We examined the condition of the properties in conjunction with the comments made in the WSP Report in this instance and in connection with any major capital expenditure (exceeding £500,000), planned maintenance and lifecycle expenditure over the next 12 months, material disputes, breaches and deductions, litigations and claims and other matters that were brought to our attention.

Whilst management did not formally advise of major capital expenditure planned, the visit observed the significant remediation works being undertaken in relation to the facades and pods. BCP continues to receive monthly reports providing updates on progress of the remediation works; we note that pod-related work is projected to be completed by the end of 2019, whilst completion of the façade-related works is anticipated for the end of January 2021. We note that the facades-related works, from a cash liability perspective, is reported to be some £200,000 behind the original schedule, due, we understand, to an unplanned suspension of works during the student intake week in September 2019.

We have recently (during November 2019) been made aware of certain additional latent defect works which have recently been identified; we understand that the contractor, Balfour Beatty, is taking responsibility for these additional works and that this is not expected to materially delay the façade-related works. We are seeking further detail regarding the plan to remedy these defects and any related compensation implications to consider any risk arising for the Issuer Secured Creditors.

We examined planned maintenance and lifecycle expenditure over the next 12 months following the Site Visit, material disputes, breaches and deductions, litigations and claims and various other matters arising; noting the aforementioned comments regarding the ongoing remedial works, Bishopsfield is satisfied with the current condition.

1.3.2. University of Plymouth

Bishopsfield conducted a Site Visit to UPP's accommodation at the University of Plymouth during early September 2019. This Site Visit was scheduled to (i) view the additional Sinking Funds works undertaken following approval of the August 2019 MA Proposal Request and (ii) to meet with Gordon Stewart, the University of Plymouth Registrar.

We visited Robbins and Gilwell halls and observed some of the recently refurbished student rooms and communal areas together with enhancements to the exterior fabric of some of the buildings. The works appeared to have been undertaken in a timely manner.

In our meeting with the Registrar, the messages conveyed in the University of Plymouth's letter of comfort dated 14 August 2019 were reinforced and we received reassurance that the incremental investment will likely boost student demand for the UPP accommodation.

2. CASH MANAGEMENT AND OPERATING BUDGET

2.1 Collections

The Monitoring Adviser is required to review ParentCo's Bi-Annual Cash Management Report.

Based upon the summary information presented, Bishopsfield is comfortable that the relevant payments are being made in a timely manner and in accordance with the relevant On-Loan Agreement and other Transaction Documents (except, as noted above, in relation to the late submission of a Compliance Certificate).

2.2 Operating Budget

The Monitoring Adviser is required to review the Operating Budget of ParentCo and each AssetCo at least annually. Bishopsfield reviewed the Operating Budgets for the 12 months commencing 1 September 2018 and found the reviewed Operating Budgets to be reasonable based upon the information available to us at such time and:

- The performance and financial condition of the business of each applicable AssetCo and the Group; and
- Historic expenditure of the relevant AssetCo or the Group; and
- The debt service requirements of each AssetCo to the Issuer; and
- Compliance with the terms of the relevant On-Loan, if applicable.

During our review, we noted certain exceptional capital expenditure costs were included. Following discussion, one of these items, relating to the Oxford Brookes AssetCo, was removed from the relevant AssetCo Operating Budget as it should have fallen within the URSL operating budget. The other item, if the funds are expended, is expected, according to management, to form the basis of an MA Proposal Request in due course.

3. INVESTOR REPORTING

The Issuer is required to publish an Annual Investor Report within 120 days following its financial year end – i.e. prior to 29 December 2019 for the recently ended financial year. In addition, the Issuer or ParentCo must provide a draft of said Annual Investor Report to BCP not less than 30 Business Days prior to the proposed date of publication. The draft report was received a few days late although we note that this hasn't interfered with timely production of the Annual Investor Report and this Monitoring Adviser Addendum.

Bishopsfield has reviewed the Issuer's draft Annual Investor Report[2]. On the basis of the information provided and discussions held with the Issuer's management in the ongoing undertaking of the Monitoring Adviser Services, Bishopsfield agrees the matters stated in the Issuer's draft Annual Investor Report, noting that we have not yet had sight of the relevant audited financial statements for the year ended 31 August 2019.

This document forms the MA Addendum that BCP is required to issue as an addendum to the Issuer's Annual Investor Report.

4. SINKING FUND REVIEW

The Monitoring Adviser is required to review the Lifecycle Report provided against the sufficiency of the each AssetCo's sinking fund reserves held in the relevant Sinking Fund Reserve Account to meet Projected Lifecycle Maintenance Costs.

Lifecycle Reports can be prepared by the FM Provider (URSL) or an independent and suitably qualified property consultant. The Lifecycle Reports reviewed to date have been prepared by URSL.

The Lifecycle Report should report on lifecycle maintenance costs projected to be required over the following 60 months to maintain the condition of each Relevant Property in good working order, of a quality consistent with those of alternative accommodation available in respect of the relevant university and consistent good industry practice. URSL has provided ten-year projections. Following Bishopsfield's review of the Lifecycle Report presented during March 2019, using a Test Date of 28 February 2019 for calculations of the Sinking Fund Required Amounts, we can confirm that all Sinking Fund Reserve Accounts had excess funds available as at 28 February 2019 relative to the Sinking Fund Required Amounts.

The Monitoring Adviser has reviewed the projected expenditure identified by URSL and believes that it is reasonable given the information available to us about the condition and plans for each asset noting, in particular, the exceptional Sinking Fund expenditure recently undertaken at and contemplated for Robbins and Gilwell halls at Plymouth.

UPP (Plymouth Three) Limited has commissioned a Lifecycle Report relative to the Plymouth Properties with reliance afforded to the Issuer Secured Creditors (the 'Plymouth Lifecycle Report'). For reference, a Lifecycle Report must:

- Be prepared by an independent and suitably qualified property consultant;
- Review the condition of each Relevant Property and report on the lifecycle maintenance costs projected to be required over the following 60 months to maintain the condition of the Relevant Property:
  - in good working order;
  - of a quality consistent with those of alternative accommodation available in respect of the relevant University; and
  - consistent with good industry practice.

The Lifecycle Report must provide necessary information to enable BCP to assess the adequacy of the AssetCo's sinking funds reserves held in the relevant Sinking Fund Reserve Account to meet Projected Lifecycle Maintenance Costs.

We anticipate the Plymouth Lifecycle Report being presented towards the end of 2019. We contemplate using the output to inform the adequacy of the relevant sinking funds.

E. Monitoring under Stress Conditions[3]:

In accordance to Paragraph 1.4 of Part 1 of Schedule 10 of the Common Terms Agreement dated 5 March 2013 between, amongst others, the Issuer and the Issuer Security Trustee, a Trigger Level 2, Phase 1 Monitoring Trigger Event is crystalised if an AssetCo does not exhibit Projected AssetCo DSCR or Historic AssetCo DSCR on a Test Date of equal to or greater than 1.05:1, and the Projected Senior DSCR and Historic Senior DSCR is greater than 1.15:1 on that Test Date.

The relevant ratios reported for UPP (Plymouth Three) Limited ('Plymouth AssetCo') at the 31 August 2019 Test Date included in the Compliance Certificate dated 30 August 2019 were:

Ratio	31 August 2019	Lock-Up	Default
Historic ADSCR[4]	0.53	Level 1: 1.15	Level 2: 1.05
Projected ADSCR[4]	1.06	Level 1: 1.15	Level 2: 1.05
Historic Senior DSCR	1.29	1.15	1.05
Projected Senior DSCR	1.29	1.15	1.05

Following a Trigger Level 2, Phase 1 Monitoring Trigger Event, the MSA requires:

- ParentCo and the relevant AssetCo to prepare a remedial plan, including a proposed cure period and specific and measurable milestones (including appropriate timeframes for achieving such milestones) to rectify such underperformance including, without limitation to increase revenues or reduce indebtedness (the 'Performance Objectives'); and
- The Monitoring Adviser to actively engage with ParentCo and the relevant AssetCo, consulting and commenting on the remedial plan

For reference, if the Performance Objectives are not being met or if the proposed remedial plan or Performance Objectives do not have the effect of increasing the relevant ratios for the relevant AssetCo above 1.05:1 within the suggested cure period or, if shorter, a three-year period, then a Trigger Level 2, Phase 2 Monitoring Trigger Event will occur.

The draft remedial plan was discussed with BCP during September and October 2019; following such consultation, the remedial plan was presented to BCP and is being implemented by the relevant UPP parties.

BCP is required to provide a quarterly review report to the Issuer, the Issuer Security Trustee and the Issuer Secured Creditors stating its views and analysis of the Trigger Level 2, Phase 1 Monitoring Trigger Event. We are, in addition, required to meet with the officers or other appropriate personnel of the relevant University who shall provide information reasonably required by us for the purposes of making an assessment of the reasons for the relevant AssetCo failing to achieve the expected business and financial performance standards, to the extent that the under-performance is attributable to any matter concerning the University or the arrangements between the relevant University and the AssetCo and ParentCo.

We have received a first quarterly report from ParentCo providing an update on implementation; in response, BCP has submitted a quarterly review report dated 29 November 2019. In summary, our observations were as follows:

- The Performance Objectives are being implemented and achieved in a timely manner;
- 2018/19 Works appear to have had a positive impact on student demand with occupancy for the 2019/20 academic year reported to be 98.7% across the Plymouth AssetCo Properties;
- BCP's meeting with the University of Plymouth Registrar provided welcome reassurance relative to the University's commitment to its relationship with UPP and recognition of the investments being made; and
- The joint initiative between the University of Plymouth and UPP to promote rooms to returners for the coming academic year is being implemented.

Sources

[1] Each heading follows the relevant heading in Schedule 1, Part 1 of the MSA

[2] Draft received 25 November 2019

[3] As defined in Schedule 1, Part 2 of the MSA

[4] ADSCR = Plymouth AssetCo DSCR

Trigger Level Monitoring is required to continue until the relevant ratio(s) each remains above specific thresholds for two consecutive Test Dates. Presently, ParentCo's remedial plan projects that Monitoring under Normal Conditions should recommence following the Test Date expected to occur on 28 February 2021.

ALL DEFINED TERMS IN THIS MA ADDENDUM ARE WITH REFERENCE TO DEFINED TERMS IN THE ISSUER TRANSACTION DOCUMENTS, UNLESS SPECIFIED AS BEING DEFINED ELSEWHERE.

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6.0

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AssetCo summaries

Appendix 1

Photo credit: Robert Greshoff

UPP (Alcuin) Limited, University of York

Profit and loss, year ended 31 August		2019	2018
	Note	**£000's**	£000's
Revenue	1.1	**6,635**	6,396
Cost of sales	1.2	**(1,472)**	(1,441)
Overheads	1.3	**(245)**	(242)
EBITDA before sinking fund		**4,918**	4,713
Sinking fund		**(985)**	(861)
EBITDA		**3,933**	3,852
Depreciation		**(214)**	(189)
Amortisation		**(94)**	(94)
Profit/(loss) before financing costs		**3,625**	3,569
Interest income		**53**	55
Bond note interest and uplift on index-linked loan notes	1.4	**(2,697)**	(2,791)
Subordinated debt interest	1.4	**-**	(663)
Profit/(loss) before tax		**981**	170
Tax		**-**	-
Profit/(loss) for the year		**981**	170

York

740 ROOMS FEBRUARY 2001 **NB**
304 ROOMS SEPTEMBER 2007 **ET**

ET – Estate Transfer
NB – New Build

UPP (Alcuin) Limited, University of York

Balance sheet		2019	2018
	Note	£000's	£000's
Fixed assets	1.5	**69,675**	69,782
Current assets		**5,294**	4,237
Current liabilities, excluding senior debt		**(1,682)**	(1,223)
Senior debt and other long-term liabilities			
Fixed rate debt	1.4	**(36,352)**	(37,442)
Index-linked debt	1.4	**(13,296)**	(12,897)
Subordinated debt	1.4	**-**	-
Derivative financial instruments		**2,108**	2,717
Deferred tax		**-**	-
Net assets/(liabilities)		**25,747**	25,174
Share capital		**440**	440
Revaluation reserve		**29,007**	28,894
Profit and loss account		**(5,809)**	(6,877)
Cash flow hedge reserve		**2,109**	2,717
Shareholders' funds		**25,747**	25,174

Notes

1.1 The increase in turnover to £6.6m (2018: £6.4m) is the result of rental indexation with occupancy at 100.0% across both years.

1.2 Cost of sales increased to £1.5m (2018: £1.4m).

1.3 Overheads increased to £245k (2018: £242k).

1.4 Interest is paid on fixed rate debt, index-linked debt and subordinated debt balances. Subordinated debt was waived on 1 March 2018.

1.5 The tangible assets are held at a value of £66.1m (2018: £66.1m). The remainder of the balance is made up of goodwill which is amortised over the life of the project.

UPP (Alcuin) Limited, University of York

Historic Senior Debt Service Cover Ratio (DSCR)

	2019
	£000's
EBITDA after sinking fund per profit and loss	**3,933**
Add:	
Sinking fund expenditure	985
Interest receivable	27
Deduct:	
Sinking fund deposit	(371)
Total movement	**641**
Total cash available for debt service	**4,574**
Debt service	
Interest	2,232
Fixed rate debt principle repayment	1,155
Total debt service	**3,387**
Annual Debt Service Cover Ratio (ADSCR) calculations	
ADSCR – default	1.05
ADSCR – lock up	1.15
ADSCR – actual	1.35
Headroom over default	1,018
Headroom over lock up	680

The Historic Senior Debt Service Cover Ratio has been calculated as per the definition in the CTA.

UPP (Alcuin) Limited, University of York

Key metrics

Area	Metric	2019	2018
Site operations	Occupancy	**100.0%**	100.0%
Finance	EBITDA*	**£3.9m**	£4.7m
	ADSCR	**1.35**	1.40
Health and safety	IIR**	**0**	0
Environment	Tonnes of CO_2 emissions	**1,158**	1,194
FM performance	Performance deductions	**None**	None
	Availability deductions	**None**	None

**EBITDA before sinking fund expenditure*

***UPP recently changed its reporting from the Accident Frequency Rate (AFR) to the Injury Incidence Rate (IIR). IIR represents the HSE measure of the number of people injured over a year per 100,000 employees*

Sinking Fund

The sinking fund spend for the year was £985k (2018: £861k), with the movement between years relating to the replacement cycle of the assets. Annual spend is not directly comparable year on year.

Outlook for the new financial year

The Company has secured occupancy of 100.0% for 2019/20 which is above budgeted expectations. Rents for the academic year 2020/21 will be set during Q2 of 2019/20.

University outlook

The University of York is a world-class institution, ranked within the top 130 institutions in the world according to The Times Higher Education World University Rankings 2020. The University achieved a Gold Teaching Excellence Framework (TEF) in the first results published in June 2017. Within the UK, it was ranked 22 in The Sunday Times Good University Guide 2020.

York has seen strong enrolment growth, with the full-time student population having grown by almost 6,300 students in the years between 2007/08 and 2017/18 to 17,220 (58.0%) and has an improving student to bed ratio of 2.5:1. The University remains one of the most popular HE institutions in the UK and is a member of the Russell Group of institutions.

For information on the University of York's strategy (2014-2020):
www.york.ac.uk/about/mission-strategies/universitystrategy2014-2020

UPP (Broadgate Park) Holdings Limited, University of Nottingham

Profit and loss, year ended 31 August		**2019**	2018
	Note	**£000's**	£000's
Revenue	1.1	**12,438**	11,973
Cost of sales	1.2	**(3,592)**	(3,477)
Overheads	1.3	**(631)**	(696)
EBITDA before sinking fund		**8,215**	7,800
Sinking fund		**(1,210)**	(672)
EBITDA		**7,005**	7,128
Depreciation		**(958)**	(893)
Profit/(loss) before financing costs		**6,047**	6,235
Interest income		**108**	119
Bond note interest & uplift on Index-linked loan notes	1.4	**(4,726)**	(4,853)
Subordinated debt interest	1.4	**-**	(1,854)
Profit/(loss) before tax		**1,429**	(353)
Tax		**-**	-
Profit/(loss) for the year		**1,429**	(353)

Nottingham

1,120 ROOMS MAY 2003 **ET**
1,109 ROOMS SEPTEMBER 2003 **NB**

ET – Estate Transfer
NB – New Build

UPP (Broadgate Park) Holdings Limited, University of Nottingham

Balance sheet		2019	2018
	Note	£000's	£000's
Fixed assets	1.6	**92,400**	92,400
Current assets		**8,041**	6,467
Current liabilities, excluding senior debt		**(2,000)**	(2,236)
Senior debt and other long term liabilities			
Fixed rate debt	1.4	**(68,323)**	(69,494)
Index-linked debt	1.4	**(20,068)**	(19,474)
Subordinated debt	1.4	**-**	-
Derivative financial instruments		**4,691**	5,689
Deferred tax		**-**	-
Net assets/(liabilities)		**14,741**	13,352
Share capital		**22,881**	22,881
Revaluation reserve		**7,482**	6,593
Profit and loss account		**(20,314)**	(21,812)
Cash flow hedge reserve		**4,692**	5,690
Shareholders' funds		**14,741**	13,352

Notes

1.1 Turnover has increased to £12.4m (2018: £12.0m) due to rental increases and short-term lettings, including those in the vacation period.

1.2 Cost of sales has increased to £3.6m (2018: £3.5m).

1.3 Overheads increased to £631k (2018: £696k).

1.4 Interest is paid on fixed rate debt, index-linked debt and subordinated debt balances. Subordinated debt was waived on 1 March 2018.

1.5 The tangible assets are held at a value of £92.4m (2018: £92.4m).

UPP (Broadgate Park) Holdings Limited, University of Nottingham

Historic Senior Debt Service Cover Ratio (DSCR)

	2019
	£000's
EBITDA after sinking fund per profit and loss	**7,005**
Add:	
Sinking fund expenditure	**1,210**
Interest receivable	**108**
Deduct:	
Sinking fund deposit	**(520)**
Total movement	**798**
Total cash available for debt service	**7,803**
Debt service	
Interest	**4,024**
Fixed rate debt principal repayment	**1,281**
Total debt service	**5,305**
Annual Debt Service Cover Ratio (ADSCR) calculations	
ADSCR – default	**1.05**
ADSCR – lock up	**1.15**
ADSCR – actual	**1.46**
Headroom over default	**2,233**
Headroom over lock up	**1,702**

The Historic Senior Debt Service Cover Ratio has been calculated as per the definition in the CTA.

UPP (Broadgate Park) Holdings Limited, University of Nottingham

Key metrics

Area	Metric	2019	2018
Site operations	Occupancy	**100.0%**	100.0%
Finance	EBITDA*	**£7.0m**	£8.2m
	ADSCR	**1.46**	1.41
Health and safety	IIR**	**5,882**	11,594
Environment	Tonnes of CO_2 emissions	**2,842**	3,087
FM performance	Performance deductions	**None**	None
	Availability deductions	**None**	None

**EBITDA before sinking fund expenditure*

***UPP recently changed its reporting from the Accident Frequency Rate (AFR) to the Injury Incidence Rate (IIR). IIR represents the HSE measure of the number of people injured over a year per 100,000 employees*

Sinking fund

Sinking fund expenditure for the year was £1,210k (2018: £672k). The movement between years relates to the replacement cycle of the assets. Levels of annual spend are not directly comparable year on year.

Major works during the year included bedroom, bathroom and kitchen refurbishments, as well power and lighting upgrades.

Outlook for the new financial year

The Company has secured occupancy of 99.0% for 2019/20, which is above budgeted expectations, but UPP continues to work with the University to increase occupancy over the remainder of the academic year via short-term bookings. Rents for the academic year 2020/21 will be set during Q2 of 2019/20.

University outlook

The University of Nottingham continues to be one of the most popular destinations for students in the UK and is ranked 22 in the UK by The Sunday Times Good University Guide 2020. The University was the winner of the International University of the Year in the same rankings, whilst the Guide shortlisted the University for its 'University of the Year' award for a second successive year in 2019. It was also ranked 152 in the world according by The Times Higher Education World University Rankings 2020. The most recent Research Excellence Framework (REF) saw more than 80.0% of its submitted material judged to be of 'world-leading' or 'internationally excellent' quality and, based on its Research Power score, the University was ranked seventh. The University's outstanding teaching secured Gold in the recent Teaching Excellence Framework (TEF).

Over the course of the last decade, the University has increased the number of full-time students it enrols each year by 3,500 to a total of well over 30,000. Data for the most recent academic year (2017/18) identifies that the University increased its full-time population by 4.0%, suggesting demand for residential accommodation will remain robust. Nottingham has also witnessed an even bigger increase in applications of 10.0% in 2018, when more than 3,000 of the 35,000 offers made to potential students were unconditional.

Nottingham boasts one of the most attractive campuses in the UK. The 330-acre University Park has won several environmental awards and there has been considerable development on the Jubilee campus – the University's second base in the City. It was here that the new Advanced Manufacturing Building, hosting collaboration with the likes of Rolls-Royce and Siemens, opened this year.

For the academic year 2017/18, it attracted 52,415 UCAS applications and its main scheme application to acceptance ratio was 7.6:1. The University has a strong student to bed ratio of 3.0:1. This demand is particularly strong at the Broadgate Park residences, which are located at the West Gate of the University's main Park Campus and provide the only self-catered accommodation available to students.

For information on the University of Nottingham's strategy (Global Strategy 2020):

www.nottingham.ac.uk/about/documents/uon-global-strategy-2020.pdf

UPP (Kent Student Accommodation) Limited, University of Kent

Profit and loss, year ended 31 August		**2019**	2018
	Note	**£000's**	£000's
Revenue	1.1	**4,030**	3,914
Cost of sales	1.2	**(1,113)**	(1,071)
Overheads	1.3	**(202)**	(344)
EBITDA before sinking fund		**2,715**	2,499
Sinking fund		**(133)**	(150)
EBITDA		**2,582**	2,349
Depreciation		**(145)**	(123)
Profit/(loss) before financing costs		**2,437**	2,226
Interest income		**28**	30
Bond note interest and uplift on index-linked loan notes	1.4	**(1,411)**	(1,451)
Subordinated debt interest	1.4	**-**	(504)
Fair value movement of swaps		**(313)**	107
Profit/(loss) before tax		**741**	408
Tax		**-**	270
Profit/(loss) for the year		**741**	678

Kent

544 ROOMS OCTOBER 2007 **NB**

NB – New Build

UPP (Kent Student Accommodation) Limited, University of Kent

Balance sheet		2019	2018
	Note	£000's	£000's
Fixed assets	1.5	**37,300**	37,300
Current assets		**2,828**	1,987
Current liabilities, excluding senior debt		**(190)**	(333)
Senior debt and other long-term liabilities			
Fixed rate debt	1.4	**(20,452)**	(20,842)
Index-linked debt	1.4	**(5,744)**	(5,568)
Subordinated debt	1.4	**-**	-
Derivative financial instruments		**1,383**	1,695
Deferred tax		**-**	-
Net assets/(liabilities)		**15,125**	14,239
Share capital		**1,381**	1,381
Revaluation reserve		**11,080**	10,976
Profit and loss account		**2,664**	1,882
Shareholders' funds		**15,125**	14,239

Notes

1.1 The increase in turnover to £4.0m (2018: £3.9m) is the result of rental indexation and maintaining 100.0% occupancy.

1.2 Cost of sales has increased to £1.1m (2018: £1.0m).

1.3 Overheads have decreased to £202k (2018: £344k).

1.4 Interest is paid on fixed rate debt, index-linked debt and subordinated debt balances. Subordinated debt was waived on 1 March 2018.

1.5 Tangible assets are held at a value of £37.3m (2018: £37.3m).

UPP (Kent Student Accommodation) Limited, University of Kent

Historic Senior Debt Service Cover Ratio (DSCR)

	2019
	£000's
EBITDA after sinking fund per profit and loss	**2,582**
Add:	
Sinking fund expenditure	**133**
Interest receivable	**17**
Deduct:	
Sinking fund deposit	**(338)**
Total movement	**(188)**
Total cash available for debt service	**2,394**
Debt service	
Interest	**1,202**
Fixed rate debt principle repayment	**422**
Total debt service	**1,624**
Annual Debt Service Cover Ratio (ADSCR) calculations	
ADSCR – default	**1.05**
ADSCR – lock up	**1.15**
ADSCR – actual	**1.47**
Headroom over default	**687**
Headroom over lock up	**525**

The Historic Senior Debt Service Cover Ratio has been calculated as per the definition in the CTA.

UPP (Kent Student Accommodation) Limited, University of Kent

Key metrics

Area	Metric	2019	2018
Site operations	Occupancy	**100%**	100%
Finance	EBITDA*	**£2.6m**	£2.7m
	ADSCR	**1.47**	1.38
Health and safety	IIR**	**0**	0
Environment	Tonnes of CO_2 emissions	**656**	632
FM performance	Performance deductions	**None**	None
	Availability deductions	**None**	None

**EBITDA before sinking fund expenditure*

***UPP recently changed its reporting from the Accident Frequency Rate (AFR) to the Injury Incidence Rate (IIR). IIR represents the HSE measure of the number of people injured over a year per 100,000 employees*

Sinking Fund

The sinking fund expenditure for the year was £133k (2018: £150k). This movement between years relates to the variable replacement cycle of the assets. Annual spend is not directly comparable year on year.

Outlook for the new financial year

The Company has secured occupancy of 100.0% for 2019/20 which is above modelled expectations. Rents for the academic year 2020/21 will be set during Q2 of 2019/20.

University outlook

The University of Kent is ranked 54 in The Sunday Times Good University Guide 2020. This position is supported by a strong performance in the Research Excellence Framework (REF), excellent graduate employment prospects and a high completion rate. In the most recent REF, the University of Kent was ranked 17 for research output and research intensity, outperforming 11 of the 24 Russell Group universities.

The University has set itself the target of being a leading civic university by 2025, orienting its courses to include more science and engineering as well as a larger cultural, creative and digital offer. It continues to operate on a college system.

The University has been consulting the public on a new campus masterplan, which aims to make the 300-acre estate more sustainable and better organised, with the capacity to take more students. A new central university square has been proposed as a focal point and the plan also includes a hotel and conference centre. The most recent addition to the main campus is an £18.8m economics building and a £3.0m hub which opened last year in the Park Wood student village.

Situated overlooking the historic city of Canterbury, the University continues to attract healthy levels of academic demand, enrolling 17,950 full-time students in 2017/18 – a compound annual growth rate of 3.5% per annum and, in total, an extra 5,200 full-time students than was the case a decade ago. In 2017/18, it had a main scheme application to acceptance ratio of 6.6:1.

The Canterbury campus houses over 4,300 students in rooms, flats and houses and residential demand remains strong with a student to bed ratio of 2.4:1. The local housing market is characterised by a lack of private rented supply for students, a restrictive planning environment and only two direct-let operators of purpose-built student accommodation.

More than 20 new degrees are being launched at Kent this year, with a number adding a placement year or year abroad to existing programmes. Almost three-quarters of the work submitted for the 2014 REF was judged world-leading.

For information on the University of Kent's strategy (2015-20):

www.kent.ac.uk/strategy

UPP (Nottingham) Limited, Nottingham Trent University

Profit and loss, year ended 31 August		**2019**	2018
	Note	**£000's**	£000's
Revenue	1.1	**14,825**	14,233
Cost of sales	1.2	**(4,854)**	(5,231)
Overheads	1.3	**(340)**	(484)
EBITDA before sinking fund		**9,631**	8,518
Sinking fund		**(1,326)**	(1,570)
EBITDA		**8,305**	6,948
Depreciation		**(958)**	(835)
Amortisation		**(9)**	(9)
Profit/(loss) before financing costs		**7,338**	6,104
Interest income		**129**	72
Bond note interest and uplift on index-linked loan notes	1.4	**(5,085)**	(5,233)
Subordinated debt interest	1.4		(1,918)
Pension finance costs	1.4	**(39)**	(50)
Profit/(loss) before tax		**2,343**	(1,025)
Tax	1.6	**(130)**	130
Profit/(loss) for the year		**2,213**	(895)

Nottingham Trent

2,327 ROOMS APRIL 2002 **ET**
446 ROOMS SEPTEMBER 2003 **NB**

ET – Estate Transfer
NB – New Build

UPP (Nottingham) Limited, Nottingham Trent University

Balance sheet		2019	2018
	Note	£000's	£000's
Fixed assets	1.7	**96,147**	96,156
Current assets		**11,778**	9,489
Current liabilities, excluding senior debt		**(5,798)**	(5,882)
Senior debt and other long-term liabilities			
Fixed rate debt	1.4	**(72,288)**	(73,822)
Index-linked debt	1.4	**(22,594)**	(21,926)
Subordinated debt	1.4	**-**	-
Pension liability	1.6	**(1,882)**	(1,495)
Derivative financial instruments		**4,718**	5,845
Net assets/(liabilities)		**10,081**	8,365
Share capital		**5,597**	5,597
Revaluation reserve		**7,827**	6,942
Profit and loss account		**(8,060)**	(10,019)
Cash flow hedge reserve		**4,717**	5,845
Shareholders' funds		**10,081**	8,365

Notes

1.1 The increase in turnover to £14.8m (2018: £14.2m) is the result of rental indexation and the Company maintaining 100.0% occupancy.

1.2 Cost of sales has decreased to £4.9m (2018: £5.2m).

1.3 Overheads have decreased to £340k (2018: £484k).

1.4 Interest is paid on fixed rate debt, index-linked debt and subordinated debt balances. Subordinated debt was waived on 1 March 2018.

1.5 The Company operates a defined benefit pension scheme for employees transferred from the University. The long-term liability represents the difference between the present value of the future liability and the fair value of the scheme assets. This is based on an actuarial valuation provided to the AssetCo.

1.6 The tangible assets are at a value of £95.9m (2018: £95.9m). The remainder of the balance is made up of goodwill which is amortised over the life of the project.

UPP (Nottingham) Limited, Nottingham Trent University

Historic Senior Debt Service Cover Ratio (DSCR)

	2019
	£000's
EBITDA after sinking fund and pension costs per profit and loss	**8,305**
Add:	
Sinking fund expenditure	**1,326**
Interest receivable	**86**
Deduct:	
Sinking fund deposit	**(1,027)**
Pension costs	**(39)**
Total movement	**346**
Total cash available for debt service	**8,651**
Debt service	
Interest	**4,299**
Fixed rate debt principle repayment	**1,648**
Total debt service	**5,947**
Annual Debt Service Cover Ratio (ADSCR) calculations	
ADSCR – default	**1.05**
ADSCR – lock up	**1.15**
ADSCR – actual	**1.45**
Headroom over default	**2,407**
Headroom over lock up	**1,813**

The Historic Senior Debt Service Cover Ratio has been calculated as per the definition in the CTA.

UPP (Nottingham) Limited, Nottingham Trent University

Key metrics

Area	Metric	2019	2018
Site operations	Occupancy	**100.0%**	100.0%
Finance	EBITDA*	**£8.3m**	£9.6m
	ADSCR	**1.45**	1.41
Health and safety	IIR**	**5,229**	7,333
Environment	Tonnes of CO_2 emissions	**2,904**	2,851
FM performance	Performance deductions	**None**	None
	Availability deductions	**None**	None

**EBITDA before sinking fund expenditure*

***UPP recently changed its reporting from the Accident Frequency Rate (AFR) to the Injury Incidence Rate (IIR). IIR represents the HSE measure of the number of people injured over a year per 100,000 employees*

Sinking fund

The sinking fund spend for the year was £1,326k (2018: £1,570k). The movement between years relates to the replacement cycle of the assets. Annual spend is not comparable year on year.

Outlook for the new financial year

The Company has secured occupancy of 100.0% for 2019/20, which is above modelled expectations. Rents for the academic year 2020/21 will be set during Q2 of 2019/20.

University outlook

In 2018, Nottingham Trent University (NTU) became the largest recruiter of undergraduates in the UK, and enrolments continue to increase. The University was named The Times and Sunday Times Modern 'University of the Year' for 2017/18 and this has contributed to its increased popularity. It has also been named University of the Year by both The Guardian for 2019 and THE (Times Higher Education) magazine in 2017.

NTU has a Gold rating in the Teaching Excellence Framework (TEF) and remains in the top 20 of the sections of the National Student Survey dealing with the broad student experience, and only just outside it for teaching quality. The TEF panel acknowledged the 'considerable' investment made in the University's employability team and, in turn, the provision of high-quality work placements for all students.

Whilst there is a considerable supply of student accommodation within the city of Nottingham, NTU retains a healthy and increasing student to bed ratio of 3.9:1, up from 3.7:1. For the academic year 2017/18, the University attracted around 40,595 applications, an increase of 3,500 on the previous year. Its main scheme application to acceptance ratio was 5.1:1. Over the last decade, the University has increased the number of students enrolled by more than 8,300 students – a compound annual growth rate of 3.8% per annum and an increase of 45.0% in total over the period.

For information on Nottingham Trent University's strategy (2015-2020):
www4.ntu.ac.uk/strategy

UPP (Oxford Brookes) Limited, Oxford Brookes University

Profit and loss, year ended 31 August		**2019**	2018
	Note	**£000's**	£000's
Revenue	1.1	**4,714**	4,538
Cost of sales	1.2	**(1,023)**	(944)
Overheads	1.3	**(257)**	(237)
EBITDA before sinking fund		**3,434**	3,357
Sinking fund		**(209)**	(175)
EBITDA		**3,225**	3,182
Depreciation		**(351)**	(375)
Profit/(loss) before financing costs		**2,874**	2,807
Interest income		**33**	37
Bond note interest and uplift on index-linked loan notes	1.4	**(1,981)**	(2,044)
Subordinated debt interest	1.4	**-**	(608)
Profit/(loss) before tax		**926**	192
Tax		**-**	-
Profit/(loss) for the year		**926**	192

Oxford Brookes

751 ROOMS SEPTEMBER 2002, NB

NB – New Build

UPP (Oxford Brookes) Limited, Oxford Brookes University

Balance sheet		2019	2018
	Note	£000's	£000's
Fixed assets	1.5	**43,200**	43,200
Current assets		**3,727**	2,583
Current liabilities, excluding senior debt		**(605)**	(505)
Senior debt and other long-term liabilities			
Fixed rate debt	1.4	**(27,710)**	(28,215)
Index-linked debt	1.4	**(8,982)**	(8,710)
Subordinated debt	1.4	**-**	-
Derivative financial instruments		**1,824**	2,259
Deferred tax		**-**	-
Net assets/(liabilities)		**11,454**	10,612
Share capital		**1,206**	1,206
Revaluation reserve		**13,540**	13,258
Profit and loss account		**(5,115)**	(6,110)
Cash flow hedge reserve		**1,823**	2,258
Shareholders' funds		**11,454**	10,612

Notes

1.1 The increase in turnover to £4.7m (2018: £4.5m) is the result of indexation, the pass through of increased FM costs to rents and maintaining a nomination of 100.0% of rooms from the University.

1.2 Cost of sales increased to £1,023k (2018: £944k).

1.3 Overheads have increased to £257k (2018: £237k).

1.4 Interest is paid on fixed rate debt, index-linked debt and subordinated debt balances.

1.5 The tangible assets are held at a value of £43.2m (2018: £43.2m).

UPP (Oxford Brookes) Limited, Oxford Brookes University

Historic Senior Debt Service Cover Ratio (DSCR)

	2019
	£000's
EBITDA after sinking fund per profit and loss	**3,225**
Add:	
Sinking fund expenditure	209
Interest receivable	19
Deduct:	
Sinking fund deposit	(328)
Total movement	**(100)**
Total cash available for debt service	**3,125**
Debt service	
Interest	1,664
Fixed rate debt principle repayment	550
Total debt service	**2,214**
Annual Debt Service Cover Ratio (ADSCR) calculations	
ADSCR – default	1.05
ADSCR – lock up	1.15
ADSCR – actual	1.41
Headroom over default	800
Headroom over lock up	579

The Historic Senior Debt Service Cover Ratio has been calculated as per the definition in the CTA.

UPP (Oxford Brookes) Limited, Oxford Brookes University

Key metrics

Area	Metric	2019	2018
Site operations	Occupancy	**100.0%**	100.0%
Finance	EBITDA*	**£3.2m**	£3.4m
	ADSCR	**1.41**	1.41
Health and safety	IIR**	**5,556**	11,765
Environment	Tonnes of CO_2 emissions	**845**	899
FM performance	Performance deductions	**None**	None
	Availability deductions	**None**	None

**EBITDA before sinking fund expenditure*

***UPP recently changed its reporting from the Accident Frequency Rate (AFR) to the Injury Incidence Rate (IIR). IIR represents the HSE measure of the number of people injured over a year per 100,000 employees*

Sinking fund

Sinking fund expenditure for the year was £209k (2018: £175k). The movement between years relates to the replacement cycle of the assets. Annual spend is not directly comparable year on year.

Outlook for the new financial year

The Company has secured occupancy of 100.0% for 2018/19, which is in line with modelled expectations. Rents for 2019/20 will be set in October 2019 as part of the controlled rent.

University outlook

Oxford Brookes is the UK's only representative in QS's world ranking of the top 50 universities that are less than 50 years old. There has been a growing emphasis on its international profile, notably through a global partnership with the Association of Chartered Certified Accountants, which gives Oxford Brookes far more students than any other UK university – more than 200,000 – taking its qualifications in other countries. The Sunday Times Good University Guide ranked it 64 overall for 2020. For the academic year 2017/18, the University attracted around 19,245 applications and its main scheme application to acceptance ratio was 5.0:1.

Oxford remains one of the key UK HE destinations and the City Council continues to enforce strict controls on the number of students each university is permitted to house in the private rented sector within Oxford. Providing sufficient purpose-built accommodation to facilitate this, Oxford Brookes University continues to present a healthy student to bed ratio of 1.8:1.

The University has made significant investment in its physical infrastructure recently, with the latest phase of its £220.0m development programme - a new 'making hub' providing practical teaching and research facilities for the Faculty of Technology, Design and Environment - bringing together a number of disciplines serving the creative industries. The completion of this will see the University withdraw from its Wheatley Campus, which serves as the current base for engineering and technology. This follows in the wake of the award-winning £132.0m John Henry Brookes Building at the Headington campus which opened during 2014.

Oxford Brookes excelled in the 2014 Research Excellence Framework (REF), entering more academics than most of its peer group and still having almost 60.0% of its work rated as world-leading or internationally excellent.

Oxford Brookes was given a Silver rating in the Teaching Excellence Framework (TEF). The panel noted that there had been high levels of investment in physical and digital resources, both of which are valued by students.

Almost 30.0% of the undergraduates come from the independent school sector, the highest proportion among the non-specialist post-1992 universities.

For more information on Oxford Brookes University's strategy (2015-20):

www.brookes.ac.uk/about-brookes/strategy/strategy-2020

UPP (Plymouth Three) Limited, University of Plymouth

Profit and loss, year ended 31 August		2019	2018
	Note	£000's	£000's
Revenue	1.1	8,912	8,969
Cost of sales	1.2	(2,753)	(2,682)
Overheads	1.3	(313)	(338)
EBITDA before sinking fund		5,846	5,949
Sinking fund		(2,115)	(753)
EBITDA		3,731	5,196
Depreciation		(356)	(338)
Amortisation		(37)	(37)
Profit/(loss) before financing costs		3,338	4,821
Interest income		74	58
Bond note interest and uplift on index-linked loan notes	1.4	(3,563)	(3,669)
Subordinated debt	1.4	-	(1,365)
Fair value movement of swaps		(774)	258
Profit/(loss) before tax		(925)	103
Tax		-	663
Profit/(loss) for the year		(925)	766

Plymouth

PHASE 1-3: 1,276 ROOMS 1998-2004 **ET, NB**
PHASE 4: 488 ROOMS DECEMBER 2006 **ET, NB**

ET – Estate Transfer
NB – New Build

UPP (Plymouth Three) Limited, University of Plymouth

Balance sheet		2019	2018
	Note	£000's	£000's
Fixed assets	1.5	**84,285**	86,294
Current assets		**6,658**	4,993
Current liabilities, excluding senior debt		**(2,702)**	(786)
Senior debt and other long-term liabilities			
Fixed rate debt	1.4	**(50,744)**	(51,705)
Index-linked debt	1.4	**(15,738)**	(15,270)
Subordinated debt	1.4	**-**	-
Derivative financial instruments		**3,383**	4,157
Deferred tax		**-**	-
Net assets/(liabilities)		**25,142**	27,683
Share capital		**2,033**	2,033
Revaluation reserve		**21,840**	23,555
Profit and loss account		**1,269**	2,095
Shareholders' funds		**25,142**	27,683

Notes

1.1 The decrease in turnover to £8.9m (2018: £9.0m) is the result of rental indexation offset against 95.0% occupancy.

1.2 Cost of sales has increased to £2.8m (2018: £2.7m).

1.3 Overheads have decreased to £313k (2018: £338k).

1.4 Interest is paid on fixed rate debt, index-linked debt and subordinated debt balances.

1.5 The tangible assets are held at a value of £82.8m (2018: £84.8m). The remainder of the balance is made up of goodwill which is amortised over the life of the project.

UPP (Plymouth Three) Limited, University of Plymouth

Historic Senior Debt Service Cover Ratio (DSCR)

	2019
	£000's
EBITDA after sinking fund per profit and loss	**3,731**
Add:	
Sinking fund expenditure	**2,115**
Interest receivable	**56**
Deduct:	
Sinking fund deposit	**(3,772)**
Total movement	**(1,601)**
Total cash available for debt service	**2,130**
Debt service	
Interest	**3,012**
Fixed rate debt principle repayment	**1,044**
Total debt service	**4,056**
Annual Debt Service Cover Ratio (ADSCR) calculations	
ADSCR – default	**1.05**
ADSCR – lock up	**1.15**
ADSCR – actual	**0.53**
Headroom over default	**(2,129)**
Headroom over lock up	**(2,534)**

The Historic Senior Debt Service Cover Ratio has been calculated as per the definition in the CTA.

UPP (Plymouth Three) Limited, University of Plymouth

Key metrics

Area	Metric	2019	2018
Site operations	Occupancy	**95.0%**	100.0%
Finance	EBITDA*	**£3.7m**	£5.9m
	ADSCR	**0.53**	1.36
Health and safety	IIR**	**12,500**	6,000
Environment	Tonnes of CO_2 emissions	**2,359**	2,180
FM performance	Performance deductions	**None**	None
	Availability deductions	**None**	None

**EBITDA before sinking fund expenditure*

***UPP recently changed its reporting from the Accident Frequency Rate (AFR) to the Injury Incidence Rate (IIR). IIR represents the HSE measure of the number of people injured over a year per 100,000 employees*

Sinking fund

The sinking fund expenditure for the year was £2,115k (2018: £753k). An additional £2.9m was deposited into the sinking fund account as referenced in section 3.0.

Outlook for the new financial year

The Company has secured occupancy of 99.8% for 2019/20. Rents for the academic year 2020/21 will be set during Q2 of 2019/20.

University outlook

The University of Plymouth was ranked 76 by The Sunday Times Good University Guide 2020, falling four places from last year's ranking. This follows a rise of 25 places on student satisfaction with teaching during the previous year. It is in the top 30 for student satisfaction with the quality of teaching and not far outside it in the remaining sections of the National Student Survey covering the wider student experience. The University continues to have both national and international appeal with well over 17,500 applications per annum, a main scheme application to acceptance ratio of 4.6:1 for 2018/19 and an improved position on the previous year. It has exceptionally robust residential demand characteristics with a student to bed ratio of 4.6:1.

Plymouth has expressed a wish to be a 'smaller, higher-quality institution, building on its core strengths including its research excellence, its strong reputation for teaching and its pivotal role in the city and wider region'. The University is expecting to reduce its student numbers by circa 15.0% over the next three years, however, this will still mean that it will have more than 15,000 full-time students enrolling each year.

The University is an 'anchor institution' and plays a key role in the economy of the South West. The University is the largest provider of nursing, midwifery and healthcare professional training across the region and is the only post-1992 institution with its own medical school, opened for the academic year 2013/14. The University also opened its £17.0m Derriford research facility in 2017/18 – bringing together medical, dental and biomedical research in one facility.

The University has a Silver rating in the Teaching Excellence Framework (TEF), having argued successfully that its initial Bronze rating should be upgraded. The 2018 panel found that students were sufficiently challenged and benefited from sustained investment in learning resources. Only two post-1992 universities produced better results in the 2014 Research Excellence Framework (REF). Plymouth entered a far larger proportion of its academics than most of its peer group and still managed to have nearly two-thirds of its research judged world-leading or internationally excellent.

For the University of Plymouth's latest strategy (2020):

www.plymouth.ac.uk/uploads/production/document/path/1/1667/PLYMOUTH_UNIVERSITY_STRATEGY_2020.pdf

UPP (Exeter) Limited, University of Exeter

Profit and loss, year ended 31 August		**2019**	2018
	Note	**£000's**	£000's
Revenue	1.1	**14,823**	14,308
Cost of sales	1.2	**(4,457)**	(4,142)
Overheads	1.3	**(530)**	(555)
EBITDA before sinking fund		**9,836**	9,611
Sinking fund		**(1,015)**	(1,120)
EBITDA		**8,821**	8,491
Depreciation		**(660)**	(598)
Profit/(loss) before financing costs		**8,161**	7,893
Interest income		**132**	91
Bank debt interest	1.4	**(5,566)**	(7,595)
Subordinated debt	1.4	**-**	(1,365)
Profit/(loss) before tax		**2,727**	(976)
Tax		**468**	-
Profit/(loss) for the year		**3,195**	(976)

Exeter

2,569 ROOMS 2009-2012 ET, NB

ET – Estate Transfer
NB – New Build

UPP (Exeter) Limited, University of Exeter

Balance sheet		2019	2018
	Note	£000's	£000's
Fixed assets	1.5	**134,900**	134,900
Current assets		**11,620**	8,660
Current liabilities, excluding senior debt		**(1,112)**	(1,131)
Senior debt and other long-term liabilities			
Index-linked debt	1.4	**(137,899)**	(138,775)
Subordinated debt	1.4	**-**	-
Derivative financial instruments		**-**	-
Deferred tax		**-**	-
Net (liabilities)/assets		**7,509**	3,654
Share capital		**650**	650
Revaluation reserve		**24,523**	23,982
Profit and loss account		**(17,664)**	(20,978)
Shareholders' funds		**7,509**	3,654

Notes

1.1 The increase in turnover to £14.8m (2018: £14.3m) is the result of rental indexation and maintaining 100.0% occupancy.

1.2 Cost of sales has increased to £4.5m (2087: £4.1m).

1.3 Overheads have decreased to £530k (2018: £555k).

1.4 Interest is paid on fixed rate debt, index-linked debt and subordinated debt balances.

1.5 The tangible assets are held at the value of £134.9m (2018: £134.9m).

UPP (Exeter) Limited, University of Exeter

Historic Senior Debt Service Cover Ratio (DSCR)

	2019
	£000's
EBITDA after sinking fund per profit and loss	**8,821**
Add:	
Sinking fund expenditure	1,015
Interest receivable	132
Deduct:	
Sinking fund deposit	(1,122)
Total movement	**(15)**
Total cash available for debt service	**8,807**
Debt service	
Interest	1,517
Index-linked debt principle repayment	4,926
Total debt service	**6,443**
Annual Debt Service Cover Ratio (ADSCR) calculations	
ADSCR – default	1.05
ADSCR – lock up	1.15
ADSCR – actual	1.37
Headroom over default	2,040
Headroom over lock up	1,396

The Historic Senior Debt Service Cover Ratio has been calculated as per the definition in the CTA.

UPP (Exeter) Limited, University of Exeter

Key metrics

Area	Metric	2019	2018
Site operations	Occupancy	**100.0%**	100.0%
Finance	EBITDA*	**£8.8m**	£9.8m
	ADSCR	**1.37**	1.37
Health and safety	IIR**	**7,042**	6,944
Environment	Tonnes of CO_2 emissions	**2,244**	2,243
FM performance	Performance deductions	**None**	None
	Availability deductions	**None**	None

**EBITDA before sinking fund expenditure*

***UPP recently changed its reporting from the Accident Frequency Rate (AFR) to the Injury Incidence Rate (IIR). IIR represents the HSE measure of the number of people injured over a year per 100,000 employees*

Sinking fund

The sinking fund expenditure for the year was £1.0m (2018: £1.1m). The movement between years relates to the replacement cycle of the assets. Levels of annual spend are comparable year on year.

Outlook for the new financial year

The Company has secured occupancy of 100.0% for 2019/20 which is above modelled expectations. Rents for the academic year 2020/21 will be set during Q2 of 2019/20.

University outlook

The University of Exeter remains one of the most popular universities in the UK and has been one of the most prominent beneficiaries of a more competitive sector. This success has been driven by an investment of £400.0m over the last five years in teaching, research and social and residential facilities at its Streatham Campus.

The University has doubled its undergraduate admissions in 12 years, taking advantage of the abolition of recruitment restrictions more than any other university. Over the last decade, it has grown at a compound annual growth rate of 5.6% and now enrols more than 22,000 full-time students each year. The University received 38,500 applications for the academic term 2018/19 with a strong application to acceptance ratio of 7.2:1. The AssetCo benefits from robust residential demand and has a student to bed ratio of 3.1:1.

For the second year in a row, Exeter was ranked 12 in The Sunday Times Good University Guide in 2020, rising two places in 2018. It remains in the top 150 institutions in the world according to The Times Higher Education World University Rankings 2019. It is a member of the Russell Group of institutions, further reinforcing its world-class reputation.

The University of Exeter was awarded Gold in the first Teaching Excellence Framework (TEF) and 98.0% of its research was rated as being of international quality in the most recent Research Excellence Framework (REF).

Exeter holds Gold in the TEF, attracting praise for 'optimum' contact hours and class sizes and for involving business, industry and professional experts in its teaching. The main Streatham campus, close to the centre of Exeter, houses the majority of students who are served by the £48.0m Forum building, which features an extended library, student services centre, technology-rich learning areas and auditorium, as well as social space and shops.

Exeter recorded much-improved results in the REF in 2014. More than 80.0% of its large submission was rated as world-leading or internationally excellent, with the best results in clinical medicine, psychology and education.

For information on the University of Exeter's strategy (2015):

www.exeter.ac.uk/media/universityofexeter/webteam/shared/contentimages/strategicplan/Strategic_Plan_2015.pdf

7.0

UPP Bond 1 Holdings Limited

Appendix 2: Consolidated financial statements for the year ended 31 August 2019

Photo credit: Robert Greshoff

UPP BOND 1 HOLDINGS LIMITED

Directors	R Bienfait H Gervaise-Jones Intertrust Directors 1 Limited
–	–
Auditor	Grant Thornton UK LLP Victoria House 199 Avebury Boulevard Milton Keynes MK9 1AU
–	–
Registered office	40 Gracechurch Street London EC3V 0BT

Directors' report for the year ended 31 August 2019

The Directors present their report and consolidated financial statements for the year ended 31 August 2019.

Principal activity of the business

UPP Bond 1 Holdings Limited ('the Company') is the Parent Company of UPP Bond 1 Holdings Limited group ('the Group'). The Group's principal activity is that of a holding company for its subsidiary undertakings. The subsidiary undertakings' principal activity is the operation of student accommodation and the provision of related facilities management services for seven AssetCos; consisting of 11,693 rooms (2018: 11,693) achieving 99.2% occupancy (2017/18: 100.0%) for the 2018/19 financial year.

Financial risk management objectives and policies

The Group's financial risk management objectives and policies are considered to be of strategic significance and are therefore detailed in the Strategic Report on pages 75 to 77.

Going concern

The Directors have reviewed the Group's projected profits and cash flows which they have prepared on the basis of a detailed analysis of the Group's finances, contracts and likely future demand trends. After consideration of these projections, the Directors consider that the Group will be able to settle its liabilities as they fall due and, accordingly, the financial statements have been prepared on a going concern basis.

Dividend

The Directors do not propose the payment of a dividend (2018: £Nil).

Directors and their interests

The Directors holding office during the year ended 31 August 2019 and subsequently are:

R Bienfait
J Benkel (resigned 31 January 2019)
H Gervaise-Jones (appointed 1 January 2019)
S O'Shea (resigned 31 December 2018)
Intertrust Directors 1 Limited

At 31 August 2019, none of the Directors had any beneficial interests in the shares of the Company or in any of the Group companies.

Directors' responsibilities statement

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws), including FRS 102 ('The Financial Reporting Standard applicable in the UK and Republic of Ireland'). Under Company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company and Group for that year.

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

- select suitable accounting policies 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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 to make themselves aware of any relevant audit information and to establish that the Company and Group's auditor is aware of that information.

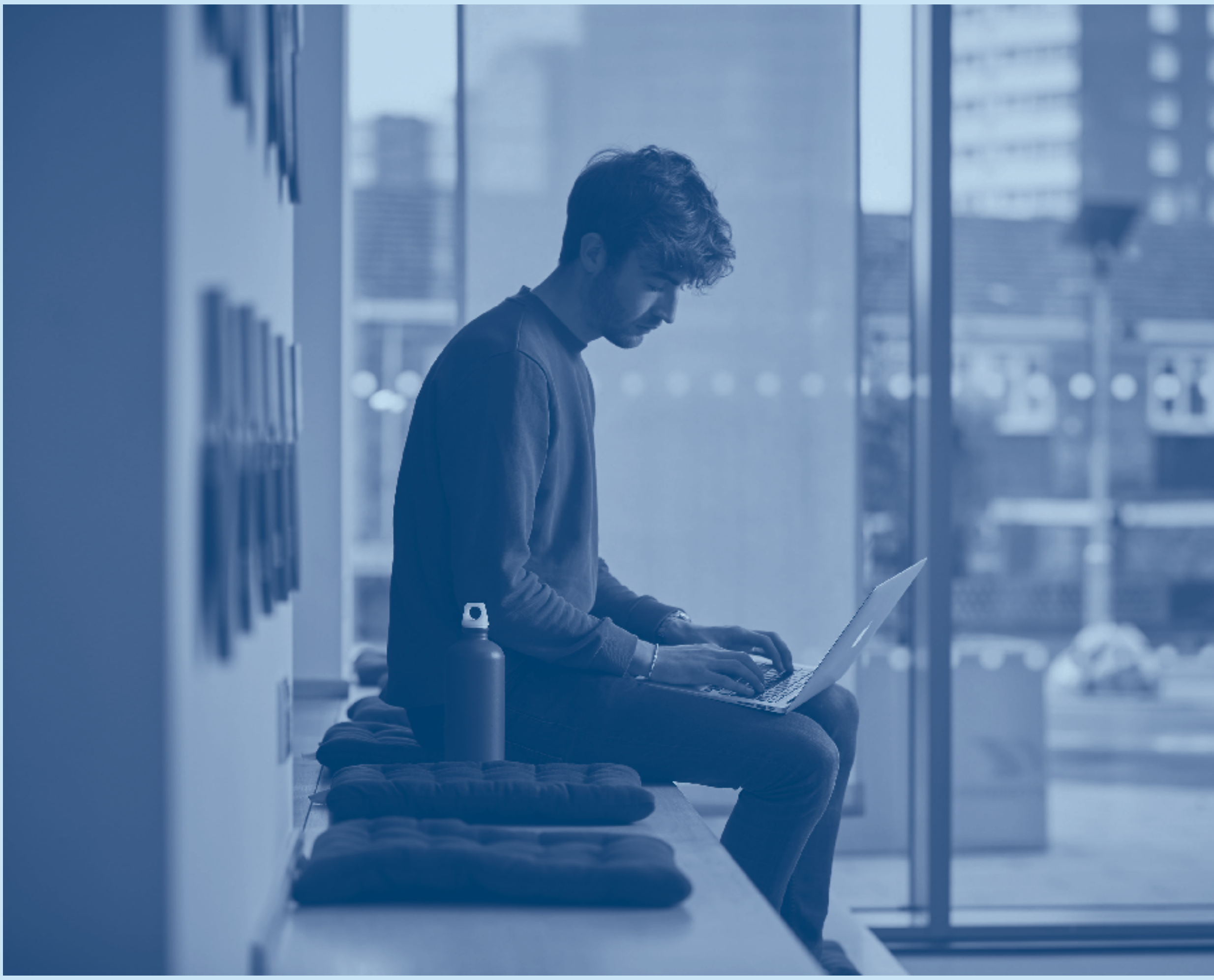
The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's and Group's website, www.upp-ltd.com/investor-centre. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor

Under section 487(2) of the Companies Act 2006, Grant Thornton UK LLP will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

On behalf of the Board

R Bienfait
Director
11 December 2019



Strategic report for the year ended 31 August 2019

Results and review of the business

The Group incorporated wholly-owned subsidiaries UPP Bond 1 Issuer plc and UPP Bond 1 Limited on 16 October 2012. The Group commenced trading on 5 March 2013 when it acquired the entire issued share capital in UPP (Alcuin) Limited, UPP (Broadgate Park) Holdings Limited, UPP (Kent Student Accommodation) Limited, UPP (Nottingham) Limited, UPP (Oxford Brookes) Limited and UPP (Plymouth Three) Limited. On 9 December 2014, UPP Bond 1 Limited acquired the entire issued share capital in UPP (Exeter) Limited.

The level of business, achieving 99.2% occupancy, and the year-end financial position were in accordance with the Directors' expectations. The Directors anticipate that the future level of activity will be in accordance with their expectations and consider that the project will yield returns in line with current forecasts.

The robust characteristics of this market remain, with strong levels of student demand resulting from greater institutional autonomy and a recognition of the importance of high-quality facilities as a central element of improving the experience of students.

The UK higher education ('HE') sector remains a global destination for students, with demand for UK institutions having grown exponentially, with both European Union ('EU') and international applicant numbers remaining strong. Full-time student enrolments to UK institutions grew by 2.6% year on year for 2017/18 to more than 1.8m.

With the deadline for Brexit extended until 31 January 2020, the exit of the United Kingdom from the EU 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 post-Brexit, 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%.

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

The Group's loss for the year attributable to shareholders and reported in the financial statements is £12,157,000 (2018: £11,811,000).

Key performance indicators

The Group's principal activity is the provision of student accommodation, through seven of its subsidiary undertakings.

The following are considered by the Directors to be indicators of average performance of these subsidiary undertakings that are not necessarily evident from the financial statements:

	2018/19	2017/18
Average Applications : Acceptance ratio	**6.00:1**	5.35:1

The indicator above is directly related to the performance of the relevant university partners of these subsidiary undertakings and any changes in these statistics may potentially affect the performance of that company.

The Directors also monitor the occupancy levels of the student accommodation facilities across the seven companies:

	2018/19	2017/18
Average occupancy across the facilities	**99.2%**	100.0%

The target occupancy levels across the facilities is 98-99% and as such the Directors are satisfied that the movements noted above are within tolerable limits.

Financial risk management objectives and policies

The Group uses various financial instruments including loans, derivative financial instruments, 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 Group's operations. All of the Group's financial instruments are of sterling (£) denomination and the Group does not trade in financial instruments or derivatives.

The existence of these financial instruments exposes the Group to a number of financial risks, which are described in more detail below. The Directors review and agree policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group finances its operations through a mixture of equity, related party borrowings and fixed rate and index-linked secured senior notes. Through the issue of fixed rate notes, the Group has mitigated its exposure to interest rate fluctuations on that portion of its borrowings. The index-linked notes have a real fixed rate that is linked to the retail price index ('RPI') (see below).

Inflation rate risk

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

Liquidity risk

The Group 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. The maturity of borrowings is set out in note 19 to the financial statements

Principal risks and uncertainties

Demand risk

The Group is subjected to risks arising from occupancy voids and no nominations by the university partners which can lead to uncertain revenues. This risk is managed by maintaining relationships with the university, improved marketing of accommodation and improved third-party revenues to compensate for any shortfalls in rental income.

Portfolio risk

The assets of the Group are in the student market and reduced student numbers could impact upon financial performance. The Group seeks to mitigate this risk by building excellent long-term relationships with each of its university partners and ensuring up-to-date, in depth market analysis is completed each year to enable the Group to review its strategic position.

On behalf of the Board

R Bienfait
Director
11 December 2019

Independent auditor's report to the members of UPP Bond 1 Holdings Limited

Opinion

We have audited the financial statements of UPP Bond 1 Holdings Limited (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 August 2019 which comprise the Group Income statement, the Group statement of Comprehensive Income, the Group and Company statements of Changes in Equity, the Group and Company statements of Financial Position, the Group statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102; The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 August 2019 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report set out on pages 72 to 77, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the Group and the Parent Company, and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us 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.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on pages 72 to 74, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Group and Parent Company's shareholders, 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 Group and Parent Company's shareholders 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 Group and Parent Company and the Group and Parent Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Joanne Love LLB FCA

Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Milton Keynes

11 December 2019

Group income statement for the year ended 31 August 2019

	Notes	**Year Ended 31 August 2019 £'000**	Year Ended 31 August 2018 £'000
Turnover	5	**66,375**	64,329
Cost of sales		**(19,226)**	(18,987)
Gross profit		**47,149**	45,342
Operating expenses		**(17,238)**	(15,584)
Operating profit	7	**29,911**	29,758
Interest receivable and similar income	10	**362**	222
Interest payable and similar charges	11	**(42,592)**	(44,305)
Loss on ordinary activities before taxation		**(12,319)**	(14,325)
Tax credit/(charge) on loss on ordinary activities	12	**4,131**	2,514
Loss for the financial year		**(8,188)**	(11,811)

The above results all relate to continuing operations.

The notes on pages 89 to 117 form part of these financial statements.

Group statement of comprehensive income for the year ended 31 August 2019

		Year ended 31 August 2019	Year ended 31 August 2018
		£'000	£'000
Loss for the financial year		**(8,188)**	(11,811)
Fair value movements on RPI swaps	19	**(3,167)**	990
Deferred tax on fair value of RPI swaps		**-**	2,638
Deferred tax on revaluation of principal asset		**-**	19,504
Gain/(loss) on revaluation of principal asset	14	**1,657**	6,438
Remeasurement gain/(loss) recognised on defined benefit pension scheme	23	**(323)**	563
Movement on deferred tax relating to pension liability		**-**	(338)
Total other comprehensive income		**(1,833)**	29,795
Total comprehensive income for the period		**(10,021)**	17,984

The notes on pages 89 to 117 form part of these financial statements..

Group statement of changes in equity for the year ended 31 August 2019

Group

Attributable to owners of the Parent

	Share capital	Revaluation reserve	Cash flow hedge reserve	Other reserve	Profit and loss account	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 September 2017	55,570	16,309	12,881	(21,462)	(41,477)	21,821
Loss for the financial period	-	-	-	-	(11,811)	(11,811)
Transfer from profit and loss account	-	(541)	-	-	541	-
Other comprehensive income	-	25,942	3,628	-	225	29,795
Balance at 31 August 2018	**55,570**	**41,710**	**16,509**	**(21,462)**	**(52,522)**	**39,805**
At 1 September 2018	55,570	41,710	16,509	(21,462)	(52,522)	39,805
Loss for the financial period	-	-	-	-	(8,188)	(8,383)
Transfer from profit and loss account	-	(557)	-	-	557	-
Reclassification	-	(21,462)	-	21,462	-	-
Other comprehensive income	-	1,657	(3,167)	-	(323)	(1,833)
Balance at 31 August 2016	**55,570**	**21,348**	**13,342**	**-**	**(60,476)**	**29,784**

Where depreciation charges are increased following a revaluation, an amount equal to the increase is transferred annually from the revaluation reserve to the Profit and Loss account as a movement on reserves. The transfer for 2019 was £557k.

The notes on pages 89 to 117 form part of these financial statements.

Company statement of changes in equity for the year ended 31 August 2019

Company

	Share capital £'000	Profit and loss account £'000	Total equity £'000
At 1 September 2017	55,570	11	55,581
Profit for the financial period	-	3	3
Balance at 31 August 2018	**55,570**	**14**	**55,584**
At 1 September 2018	55,570	14	55,584
Profit for the financial period	-	5	5
Balance at 31 August 2019	**55,570**	**19**	**55,589**

The notes on pages 89 to 117 form part of these financial statements.

Group statement of financial position as at 31 August 2019

	Notes	31 August 2019 £'000	31 August 2018 £'000
Fixed assets			
Intangible assets	13	**121,239**	125,180
Tangible assets	14	**552,628**	554,614
		673,867	679,794
Current assets			
Debtors: amounts falling due within one year	16	**6,456**	2,178
Debtors: amounts falling due after one year	17	**18,106**	22,362
Cash at bank and in hand	22b	**39,380**	35,923
		63,942	60,463
Creditors: amounts falling due within one year	18	**(25,739)**	(22,621)
Net current assets		**38,203**	37,842
Total assets less current liabilities		**712,070**	717,636

Group statement of financial position as at 31 August 2019 (continued)

	Notes	31 August 2019 £'000	31 August 2018 £'000
Creditors: amounts falling due after more than one year	19	**(680,404)**	(676,336)
Provisions for liabilities		**-**	-
Net assets excluding pension liability		**31,666**	41,300
Defined benefit pension liability	23	**(1,882)**	(1,495)
Net assets		**29,784**	39,805
Share capital and reserves			
Called-up share capital	20	**55,570**	55,570
Revaluation reserve	21	**21,348**	41,710
Cash flow hedge reserve		**13,342**	16,509
Other reserve		**-**	(21,462)
Profit and loss account		**(60,476)**	(52,522)
		29,784	39,805

The financial statements were approved by the board on 11 December 2019 and were signed on its behalf by:

R Bienfait

Director

11 December 2019

Registered No: 08253967

The notes on pages 89 to 117 form part of these financial statements.

Company statement of financial position as at 31 August 2019

	Notes	**31 August 2019**	31 August 2018
		£'000	£'000
Fixed assets			
Investments	15	**55,570**	55,570
		55,570	55,570
Current assets			
Debtors: amounts falling due after one year	17	**191,776**	182,718
		191,776	182,718
Total assets less current liabilities		**247,346**	238,288
Creditors: amounts falling due after more than one year	19	**(191,757)**	(182,704)
Net assets		**55,589**	55,584
Share capital and reserves			
Called-up share capital	20	**55,570**	55,570
Profit and loss account	21	**19**	14
		55,589	55,584

The financial statements were approved by the board on 11 December 2019 and were signed on its behalf by:

R Bienfait
Director
11 December 2018
Registered No: 08253967

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Profit and Loss Account in these financial statements. The profit after tax of the Parent Company for the year was £5k (2018: £3k).

The notes on pages 89 to 117 form part of these financial statements.

Group statement of cash flows for the year ended 31 August 2019

	Notes	**Year ended 31 August 2019 £'000**	Year ended 31 August 2018 £'000
Net cash inflow from operating activities	22(a)	**40,346**	35,869
Investing activities			
Interest received	10	**362**	222
Interest paid	11	**(26,135)**	(26,218)
Net cash (outflow) from investing activities		**(25,773)**	(25,996)
Financing activities			
Cash outflow from repayment of fixed rate debt		**(4,926)**	(4,684)
Cash outflow from repayment of index-linked debt		**(6,100)**	(4,895)
Net cash (outflow) from financing activities		**(11,026)**	(9,579)
Increase in cash and cash equivalents		**3,457**	294
Cash and cash equivalents at 1 September 2018		**35,923**	35,629
Cash and cash equivalents at 31 August 2019	22(b)	**39,380**	35,923

The notes on pages 89 to 117 form part of these financial statements.

Notes to the consolidated financial statements for the year ended 31 August 2019

1. Company information

UPP Bond 1 Holdings Limited is a limited liability company incorporated in England. The registered office is 40 Gracechurch Street, London, EC3V 0BT.

2. Basis of preparation

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

The Group has chosen to adopt Section 11 and 12 of FRS 102 in respect of financial instruments as available under Section 11 of FRS 102.

The Group has chosen to apply transitional relief under Section 35.10 (i) *Service concession arrangements – Accounting by operators* and, as a result, it shall account for all its tangible assets which meet the definition of service concession arrangements under Section 34 and were entered into before the date of transition, using the same accounting policies being applied at the date of transition to FRS 102. This transitional relief applies to all of the Group's principal assets as at 31 August 2017. All of the Group's principal assets meet the definition of service concession arrangements under Section 34.

The Company has taken advantage of the disclosure exemption allowed under FRS 102 with Section 7 Statement of Cash Flows and it has not presented its own Statement of Cash Flows in these financial statements.

The financial statements are presented in Sterling (£) which is the Group'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 Group management to exercise judgement in applying the Group's accounting policies (see note 3).

Going concern

The Group's business activities, together with factors likely to affect its future development, performance and position are set out in the Strategic Report. 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 Group's financial instruments, which show that the Group is able to meet its liabilities as they fall due. On this basis, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being a period of not less than 12 months from the date of approval of these financial statements, and therefore continue to adopt the going concern basis in preparing these financial statements.

Basis of consolidation

The statutory consolidated financial statements consolidate the financial statements of UPP Bond 1 Holdings Limited and its subsidiaries prepared to 31 August each year using the acquisition method from the date control passes to the Group.

The Directors consider the acquisition of subsidiary undertakings by way of a share-for-share exchange and cash purchase of minorities from the Parent Company on 5 March 2013 as a series of transactions and not individual transactions.

On this basis, the Directors have concluded that acquisition accounting must be applied as overall the series of transactions do not qualify for merger accounting and have prepared these financial statements accordingly.

Where the Company has used merger relief or Group reconstruction relief to account for an investment in a subsidiary, the difference between the fair value of the equity issues and the value of the equity issued after applying merger relief or Group reconstruction relief is reinstated as another reserve on consolidation.

No statement of comprehensive income is presented for UPP Bond 1 Holdings Limited as permitted by section 408 of the Companies Act 2006. The profit dealt with in the Company for the financial year was £5,000 (2018: £3,000)

3. Judgements and key sources of estimation uncertainty

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

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

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

Revaluation of the principal assets (Note 14)

The Group has adopted a policy to revalue the principal assets every five years, with an interim valuation performed in year three of the cycle and in other years if there is evidence that the value has changed significantly. The Group engages independent valuation specialists to determine the fair value of the assets every five years, with a directors' valuation performed at any other interim period. The valuation technique employed by both the independent valuers and directors is based on a discounted cash flow model as there is a lack of comparable market data due to the specific nature of the property assets. The determined fair value of the principal assets is most sensitive to the estimated rental growth, discount rate and the long-term occupancy rates.

Valuation of RPI swaps (Note 19)

UPP Bond 1 Issuer Plc, one of the Group companies, entered into derivative financial instruments, being RPI swaps, to manage the Group's exposure to RPI.

Derivatives are initially recognised at fair value at the date a derivative is entered into and are subsequently remeasured to their fair value at each reporting date. The fair value of the derivatives has been determined on a transfer value basis, which takes into consideration the price the hedging instrument could be replaced with by another one with the same remaining terms. To that end, a calibration of usual valuation models has been performed on the trade date for each derivative to determine an initial spread to be added onto market conditions applied at each year end. Those market interest rate and inflation curves for a replacement have been used, deriving future cash flows based on forward rates and discounting them to produce their reported value. The Group has used a third-party expert to assist with valuing such instruments.

Goodwill useful economic life

The Group establishes a reliable estimate of the useful economic life of goodwill arising on business combinations. Goodwill attributed to subsidiary undertakings is amortised on a straight-line basis over the remaining lease period on the principal asset held by each subsidiary. This period of amortisation represents the period over which each subsidiary undertaking acquired will continue to generate operating cash flows. For further details refer to note 13.

Impairment of non-financial assets

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

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

Defined benefit pension scheme (Note 24)

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

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

Presentation of the principal asset (Note 14)

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

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

Each year, the Group applies judgement in assessing the status of these interests in accordance with the provisions of FRS 5 (Application Note F), assessing the balance of the significant risks and rewards of ownership of the asset. The appropriate balance sheet treatment of these interests is to treat the asset as a finance receivable asset where the 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 the risks and rewards lies with the Group due to the Group taking the key demand risk, and therefore the assets are treated as tangible fixed assets.

Photo credit: Robert Greshoff

Classification of index-linked financial instruments (Note 19)

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

Hedge accounting for inflation swaps (Note 25)

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

4. Principal accounting policies

(a) Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is calculated so as to write off the cost of the tangible fixed assets, less any residual value, over the expected useful economic lives of the assets concerned once construction is complete. The principal rates of depreciation used for this purpose are:

Assets for use in operating leases *– annuity method over the term of the lease*
IT equipment *– straight line over 5 years*

The economic benefit of the principal assets for use in operating leases is the return on assets invested into the financing arrangement with the relevant university. The annuity method takes into account the cost of capital notionally invested in the principal asset. Notional interest, calculated using the relevant company's actual weighted cost of capital and depreciation combined, will give an approximately constant charge to revenue.

The Group has adopted a policy to revalue the principal asset every five years, with an interim valuation performed in year three of the cycle and in other years if there is evidence that the value has changed significantly. The movement in fair value is recognised in other comprehensive income and accumulated in equity in a revaluation reserve, except that a deficit which is in excess of any previously recognised surplus over depreciated cost relating to the same property, or the reversal of such a deficit, is charged to the Profit and Loss account. A deficit which represents a clear consumption of economic benefits is charged to the Profit and Loss account regardless of any such previous surplus.

Where depreciation charges are increased following a revaluation, an amount equal to the increase is transferred annually from the revaluation reserve to the Profit and Loss account as a movement on reserves.

At each reporting date, the Group assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined, which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

(b) Turnover

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.

(c) Intangible assets

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

Goodwill attributed to the subsidiary undertakings is amortised on a straight-line basis over the remaining lease period on the principal asset held by each subsidiary. This period of amortisation is greater than 20 years but represents the period over which each subsidiary undertaking acquired will continue to generate operating cash flows.

(d) Valuation of investments

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

(e) 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.

(f) 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.

In the Group Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

(g) Interest bearing loans and borrowings

Fixed rate senior secured notes, index-linked senior secured notes and subordinated loan notes are initially measured at transaction price, net of transaction costs. They are 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 the index-linked interest and principal repayments, the change in RPI is charged to the profit and loss in the period to which it relates.

(h) Creditors

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

(i) Derivative instruments

To mitigate its exposure to changes in inflation, the Group has entered into inflation-linked swaps ('RPI swaps') with external counterparties. All derivative instruments are initially measured at fair value on the date the contract is entered into and subsequently remeasured to fair value at each reporting date. The gain or loss on remeasurement is taken to the income statement 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. The fair values of inflation swap contracts are determined by calculating the present value of the estimated future cash flows using observable yield curves.

(j) Hedge accounting

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

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

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

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

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

(k) Finance costs

Financing costs, comprising interest payable on loans and subordinated loan notes, and the costs incurred in connection with the arrangement of borrowings, are recognised in the income statement 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 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.

(l) 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.

(m) Taxation

(i) Current tax

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

(ii) Deferred tax

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated.

Deferred tax assets that arise from trading operations of the Group are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

If and when all conditions for retaining tax allowances for the cost of a fixed asset have been met, the deferred tax is reversed.

Deferred tax is recognised when income or expenses from a subsidiary have been recognised, and will be assessed for tax in a future period, except where:

- the Group is able to control the reversal of the timing difference; and
- it is probable that the timing difference will not reverse in the foreseeable future.

A deferred tax liability or asset is recognised for the additional tax that will be paid or avoided in respect of assets and liabilities that are recognised in a business combination. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

Deferred tax is calculated on a non-discounted basis using the tax rates and laws, that have been enacted or substantively enacted by the reporting date, that are expected to apply to the reversal of the timing difference. Group relief is only accounted for to the extent that a formal policy is in place at the reporting period end. Where no policy is in place, current and deferred tax is measured before benefits which may arise from a formal Group relief policy.

(n) Related party transactions

The Group 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.

(o) Defined contribution pension scheme

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

The contributions are recognised as an expense in the Group income statement when they fall due. Amounts not paid are shown in accruals as a liability in the Group statement of financial position. The assets of the plan are held separately from the Group in independently administered funds.

(p) Defined benefit pension plan

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

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

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

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

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

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

a) the increase in net pension benefit liability arising from employee service during the period; and

b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in the income statement as a 'finance expense'.

(q) Interest income

Interest income is recognised in the Group income statement using the effective interest method.

5. Turnover

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

	2019	2018
	£'000	£'000
Provision of student accommodation	**66,375**	64,329

All turnover arose within the United Kingdom.

6. Directors' remuneration

The immediate subsidiary undertaking, UPP Bond 1 Limited, paid fees of £12,000 (2018: £24,000) to Intertrust Directors 1 Limited in respect of services performed in connection with the management of the affairs of the Group for the year ended 31 August 2019. An amount of £3,000 (2018: £3,000) was paid related to the services provided to the Company during the year.

No other directors of the Group received payment for services performed in relation to the management of the Group (2018: £nil).

Other than the Directors, there are no other key management personnel in this Company.

7. Operating profit

The operating profit is stated after charging:

	Year ended 31 August 2019	Year ended 31 August 2018
	£'000	£'000
Depreciation	**3,643**	3,353
Amortisation of goodwill	**3,942**	3,942

8. Auditors' remuneration

	Year ended 31 August 2019	Year ended 31 August 2018
	£'000	£'000
Fees payable to the Group's auditor and its associates for the audit of the Company's annual financial statements	**4**	3
Fees payable to the Group's auditor and its associates for the audit of the subsidiaries' annual financial statements	**137**	117
	137	117

9. Employees

Employee costs were as follows:

	Year ended 31 August 2019	Year ended 31 August 2018
	£'000	£'000
Wages and salaries	**5,809**	5,438
Social security costs	**441**	409
Pension costs	**465**	310
	6,715	6,157

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

	2019 No.	2018 No.
Site managers	**51**	28
Administration, maintenance and cleaning	**290**	278
	341	306

10. Interest receivable and similar income

	Year ended 31 August 2019	Year ended 31 August 2018
	£'000	£'000
Bank interest receivable	**362**	222

11. Interest payable and similar charges

	Year ended 31 August 2019	Year ended 31 August 2018
	£'000	£'000
Financial liabilities measured at amortised cost		
Fixed rate senior secured notes	**14,501**	14,761
Index-linked senior secured notes	**10,528**	12,873
Unsecured loan notes	**16,476**	17,036
	41,505	44,670
Financial liabilities measured at fair value		
Fair value movement on RPI swaps	**1,087**	(365)
	42,592	44,305

Included within index-linked senior secured notes is £6,303k (2018: £8,705k) that relates to the index-linked uplift on the outstanding loan.

12. Tax on loss on ordinary activities

	Year ended 31 August 2019	Year ended 31 August 2018
	£'000	£'000
a) Analysis of tax charge for the year		
Current tax:		
Current year	**(4,194)**	(1,581)
Adjustment in respect of prior years	**63**	-
Total current tax	**(4,131)**	-
Deferred tax:		
Current tax:	**-**	(933)
Total deferred tax	**-**	(933)
Total tax charge on losses on ordinary activities	**(4,131)**	(2,514)

(b) Factors affecting total tax charge for the year

The tax assessed for the year is lower (2018: higher) than the standard rate of corporation tax in the UK 19.0% (2018: 19.0%). The differences are explained below:

	Year ended 31 August 2019	Year ended 31 August 2018
	£'000	£'000
Loss on ordinary activities before tax	**(12,318)**	(14,325)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19.0% (2018: 19.0%)	**(2,341)**	(2,722)
Effects of:		
Group relief	**-**	(130)
Adjustment in respect of prior years	**63**	-
Expenses not deductible for tax purposes (non-taxable income)	**139**	1,431
Movement in deferred tax not recognised	**(501)**	421
Exempt property rental (profits)/losses in the year	**(1,491)**	(581)
Deferred tax movement	**-**	(933)
Total tax charge for the year (note 12a)	**(4,131)**	(2,514)

(c) Deferred tax

The deferred tax included in the balance sheet is as follows:

Group		
Deferred tax liability	**Year ended 31 August 2019**	Year ended 31 August 2018
	£'000	£'000
	Group	Group
At 1 September	**-**	27,737
Charged to income statement	**-**	(933)
Movement in other comprehensive income	**-**	(21,804)
At 31 August	**-**	-

UPP REIT Holdings Limited is a Real Estate Investment Trust ('REIT'). As a result, the deferred tax accrued to the date of conversion in respect of assets and liabilities of the qualifying property rental business has been released due to the relevant temporary differences no longer being taxable on reversal.

(d) Factors that may affect future tax charges

As a result of the Company electing to convert to a REIT on 1 March 2018, the Company and Group no longer 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 normal.

A deferred tax asset of £42,277k (2018: £42,713k) in respect of available tax losses has not been recognised at 31 August 2019.

13. Intangible fixed assets

	Goodwill
	£'000
Cost	
At 1 September 2018 and at 31 August 2019	**145,035**
Amortisation	
At 1 September 2018	(19,855)
Charge for the period	(3,942)
At 31 August 2019	**(23,797)**
Net book value	
At 31 August 2019	**121,239**
At 31 August 2018	125,180

Goodwill arose on the acquisition of UPP (Alcuin) Limited, UPP (Broadgate Park) Holdings Limited, UPP (Kent Student Accommodation) Limited, UPP (Nottingham) Limited, UPP (Oxford Brookes) Limited, UPP (Plymouth Three) Limited and UPP (Exeter) Limited by UPP Bond 1 Limited, a subsidiary undertaking, and is the difference between the consideration given and the fair value of the net assets acquired.

Goodwill is amortised on a straight-line basis over the remaining lease period on the principal asset held by each of the subsidiaries which expire between 2048 and 2058. This period of amortisation is greater than 20 years but represents the period over which the subsidiary undertaking acquired will continue to generate operating cash flows.

14. Tangible fixed assets

	Assets for use in operating leases	IT Equipment	Total Tangible fixed assets
	Group	Group	Group
Cost or valuation	£'000	£'000	£'000
At 1 September 2018	554,600	14	554,614
Revaluation	(1,972)	-	-
At 31 August 2019	**552,628**	**14**	**554,614**
Depreciation			
At 1 September 2018	-	-	-
Charge during the year	(3,629)	(14)	(3,643)
Revaluation	3,629	-	3,629
At 31 August 2019	**-**	**(14)**	**(14)**
Net book value			
At 31 August 2019	**552,628**	**-**	**552,628**
At 31 August 2018	554,600	14	554,614

The historic cost of tangible assets held at valuation is as follows:

At 31 August 2019	**535,159**
At 31 August 2018	535,159

Fixed assets include finance costs up to the date of completion of £16,771,000 (2018: £16,771,000). These have been capitalised at 100.0%.

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

	2019	2018
Discount rates	**8.40% – 9.25%**	8.40% – 9.25%
Occupancy rates	98% – 99.00%	98% – 99%
Long-term annual rental growth	3%	3%

15. Investments

	Interest in subsidiary undertakings
	£'000
Company	
At 1 September 2018 and 31 August 2019	**55,570**

The Company ultimately owns 100.0% of the issued ordinary share capital in the companies listed below. All of these companies are registered in England and Wales.

Subsidiary undertaking	Nature of business
UPP (Alcuin) Limited	Provision of student accommodation
UPP (Broadgate Park) Holdings Limited	Provision of student accommodation
UPP (Kent Student Accommodation) Limited	Provision of student accommodation
UPP (Nottingham) Limited	Provision of student accommodation
UPP (Oxford Brookes) Limited	Provision of student accommodation
UPP (Plymouth Three) Limited	Provision of student accommodation
UPP (Exeter) Limited	Provision of student accommodation
UPP Bond 1 Issuer plc	Financing company
UPP Bond 1 Limited	Treasury management company

All subsidiaries above are registered at 40 Gracechurch Street, London, EC3V 0BT. The fixed asset investment value above represents the carrying value of the Company's investment in its subsidiary undertakings.

16. Debtors: amounts falling due within one year

	31 August 2019	**31 August 2019**	31 August 2018	31 August 2018
	£'000	**£'000**	£'000	£'000
	Group	**Company**	Group	Company
Trade debtors	**406**	**-**	231	-
VAT receivable	**18**	**-**	-	-
Amounts owed by related parties	**5,759**	**-**	47	-
Prepayments and accrued income	**273**	**-**	1,900	-
	6,456	**-**	2,178	-

17. Debtors: amounts falling due after one year

	31 August 2019	31 August 2019	31 August 2018	31 August 2018
	£'000	£'000	£'000	£'000
	Group	Company	Group	Company
Amounts owed by subsidiary companies	-	191,776	-	182,718
Derivative financial instruments	18,106	-	22,362	-
	18,106	191,776	22,362	182,718

Amounts owed by subsidiary companies relate to the unsecured loan notes with UPP Bond 1 Limited. These loan notes bear interest at 13.75% and are repayable by 2057. Payment of interest is subject to the Group passing lock-up tests and availability of cash reserves.

18. Creditors: amounts falling due within one year

	31 August 2019	31 August 2019	31 August 2018	31 August 2018
	£'000	£'000	£'000	£'000
	Group	Company	Group	Company
Senior secured notes	11,539	-	10,499	-
Trade creditors	805	-	378	-
Amounts owed to related parties	7,691	-	5,428	-
Accruals and deferred income	5,704	-	6,294	-
VAT payable	-	-	22	-
	25,739	-	22,621	-

The amounts owed to Group undertakings are repayable on demand and not subject to interest.

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

	31 August 2018	**31 August 2018**	31 August 2018	31 August 2018
	£'000	**£'000**	£'000	£'000
	Group	**Company**	Group	Company
Fixed rate senior secured notes	**275,869**	**-**	281,515	-
Index-linked senior secured notes	**224,317**	**-**	222,616	-
Unsecured loan notes	**191,757**	**191,757**	182,704	182,704
	691,943	**191,757**	686,835	182,704
Less: included in creditors amounts falling due within one year	**(11,539)**	**-**	(10,499)	-
	680,404	**191,757**	676,336	182,704
Maturity of debt				
Repayable within one year or on demand	**11,539**	**-**	10,499	-
Repayable in more than one year but less than two years	**11,934**	**-**	11,675	-
Repayable in more than two years but less than five years	**40,417**	**-**	38,400	-
Repayable in more than five years	**628,053**	**191,757**	626,261	182,718
	691,943	**191,757**	686,835	182,718
Less: included in creditors amounts falling due within one year	**(11,539)**	**191,757**	(10,499)	-
	680,404	**191,757**	676,336	182,718

Senior secured notes

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

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

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

On the same day, the Group entered into derivative financial instruments, being RPI swaps. This is to manage the exposure to RPI movements on the underlying portion of revenue streams generated by the Group used to repay the fixed rate senior secured notes.

On 9 December 2014, UPP Bond 1 Issuer plc issued £149,700,000 of fully-amortising RPI index-linked senior secured notes, listed on the Irish Stock Exchange. The proceeds of this issuance were on-lent on the same terms and conditions to UPP (Exeter) Limited to enable the Company to repay their previous bank facilities and associated costs.

The index-linked senior secured notes are fully amortising by 2049 with a real interest rate of 1.037%, increasing semi-annually by RPI. The notional amount of these notes at issuance was £149,700,000 with repayments commencing in February 2015.

The senior notes above are secured under a debenture deed. Under the terms of the debenture, the finance provider, UPP Bond 1 Issuer plc, has security by way of a first legal mortgage over all estates or interests in the leasehold properties and buildings and fixtures on those properties, as well as security over all other assets of the Group by way of fixed and floating charges.

Unsecured loan notes

UPP Group Limited has provided unsecured loan notes of £146,669,000 (£21,308,000 issued on 9 December 2014) to the Group. These loan notes bear interest at 13.5% and are repayable by 2057. Payment of interest is subject to the Group passing lock-up tests and availability of cash reserves.

Derivative financial instruments

	Cash flow hedge reserve	Profit and loss account	Total
	£'000	**£'000**	**£'000**
Fair value of RPI SWAPs at 1 September 2018	16,508	5,852	22,360
Fair value movement in the year	(3,167)	(1,087)	(4,254)
Fair value of RPI SWAPs at 31 August 2019	**13,341**	**4,765**	**18,106**
Fair value at 31 August 2019, net of deferred tax	**13,341**	**4,765**	**18,106**
Fair value at 1 September 2018, net of deferred tax	16,508	5,852	22,360

20. Called-up share capital

	31 August 2019	31 August 2018
	£'000	£'000
Issued, allotted, called up and fully paid		
55,570,409 Ordinary shares of £1 each	**55,570**	55,570

On 15 October 2012, the Company issued 1 ordinary share of £1 each at par. On 16 January 2013, the Company issued 50,000 ordinary shares of £1 each at par for cash consideration.

On 5 March 2013, the Company issued 32,884,298 ordinary shares of £1 each at par in exchange for the issued share capital in six subsidiary undertakings owned by UPP Group Limited. On the same day, the Company also issued 3,914,429 ordinary shares of £1 each at par for cash consideration.

On 9 December 2014, the Company issued 18,721,682 ordinary shares of £1 each at par in exchange for the issued share capital in UPP (Exeter) Limited owned by UPP Group Limited.

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

21. Reserves

Revaluation reserve

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

Cash flow hedge reserve

Other reserves comprise of cash flow hedge reserve which includes the fair value movements on the derivatives financial instruments and the deferred tax associated with these.

Other reserve

Other reserve relates to deferred tax liability on fair value adjustments arising on business combinations prior to transitioning to FRS 102 on 1 September 2014. The balance in other reserve was reclassified into the revaluation reserve during the year.

Profit and loss account

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

22. Notes to the statement of cash flows

(a) Reconciliation of operating profit to net cash inflow from operating activities:

	Year ended 31 August 2019	Year ended 31 August 2018
	£'000	£'000
Operating profit	29,911	29,758
Depreciation	3,643	3,353
Goodwill amortisation	3,942	3,942
Pension costs	39	50
(Increase)/decrease in debtors due within one year	(310)	(1,379)
Increase in creditors due within one year	3,119	145
Net cash inflow from operating activities	40,346	35,869

(b) Cash and cash equivalents comprise of the following:

	At 31 August 2019	At 31 August 2018
	£'000	£'000
Cash at bank and in hand	39,324	19,181
Short-term deposits	56	16,742
Cash and cash equivalents	39,380	35,923

23. Pension commitments

Defined contribution scheme

The Group operates a defined contribution retirement benefit scheme for all qualifying employees. The total cost charged to income statement of £24,000 (2018: £24,000) represents a pre-determined amount of the employee's salary paid into the scheme. As at 31 August 2019, £Nil (2018: £Nil) contributions remained outstanding.

Defined benefit scheme

Retirement benefits for 56 Group employees are provided by a defined benefit scheme which is funded by contributions by the employee and the Group. Payments are made to Nottinghamshire County Council Pension Fund ('NCCPF'). This is an independently administered scheme and contracted out of the State Earnings Related Pension Scheme.

Contributions are set every three years as a result of the actuarial valuation, the latest being carried out at 31 March 2019, setting out contributions for the period from 1 April 2020 to 31 March 2023.

The material assumptions used by the Actuary at 31 August 2019 were:

	2019	2018
Rate of inflation	**3.2%**	3.2%
Rate of increase in salaries	**3.75%**	3.8%
Rate of increase in pensions	**2.25%**	2.3%
Discount rate for liabilities	**1.8%**	2.6%

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

	31 August 2019	31 August 2018
	Years	Years
Retiring today		
Males	**21.7**	22.7
Females	**24.4**	25.6
Retiring in 20 years		
Males	**23.3**	24.9
Females	**26.2**	28.0

Amounts recognised in the income statement are as follows:

	31 August 2019	31 August 2018
	£'000	£'000
Service cost	**88**	88
Net interest on the defined liability	**38**	49
Administrative expenses	**1**	1
	127	138

Amount taken to other comprehensive income is as follows:

	31 August 2019	31 August 2018
	£'000	£'000
Return of scheme assets in excess of interest	**69**	125
Change in financial assumptions	**(254)**	438
Remeasurement of the net assets/(defined liability)	**(323)**	563

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

	31 August 2019	31 August 2018
	£'000	£'000
Present value of the defined benefit obligation	**(5,328)**	(4,824)
Fair value of scheme assets	**3,446**	3,329
Net defined benefit liability	**(1,882)**	(1,495)

Defined benefit obligation reconciliation is as follows:

	31 August 2019	31 August 2018
	£'000	£'000
At 1 September	**4,824**	5,188
Current service cost	**88**	88
Interest cost	**124**	128
Change in financial assumptions	**652**	(438)
Estimated benefits paid net of transfers in	**(110)**	(154)
Change in demographic assumptions	**(260)**	-
Contributions by scheme participants	**10**	12
At 31 August	**5,328**	4,824

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

	31 August 2019	31 August 2018
	£'000	£'000
At 1 September	**3,329**	3,198
Interest on assets	**86**	79
Return on assets less interest	**69**	125
Employer contributions	**63**	70
Employee contributions	**10**	12
Administration expenses	**(1)**	(1)
Benefits paid	**(110)**	(154)
At 31 August	**3,446**	3,329

The actual return on scheme assets was £155,000 (2018: £204,000).

The Company expects to contribute £63,000 to its Defined Benefit Pension Scheme in 2020.

The estimated asset allocation of the scheme as at 31 August 2019 is as follows:

	31 August 2019		31 August 2018	
	%	**£'000**	%	£'000
Equities	**62**	**2,149**	64	2,143
Government bonds	**3**	**113**	3	93
Other bonds	**9**	**297**	10	349
Property	**13**	**455**	14	460
Cash	**3**	**101**	2	61
Other	**10**	**331**	7	223
Total fair value of scheme assets (bid value)	**100**	**3,446**	100	3,329
Present value of scheme liabilities		**(5,328)**		(4,824)
Net deficit		**1,882**		1,495

24. Financial risk management

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

Interest rate risk

Through the issue of fixed rate loan notes, the Group has mitigated its exposure to interest rate fluctuations on that portion of its borrowings. The index-linked loan notes have a real fixed rate that is linked to RPI (see the following page).

Inflation rate risk

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

To mitigate the impact of inflation movements on future rental income and the Group's ability to service the fixed rate tranche of the bond debt, UPP Bond 1 Issuer Plc, a fellow Group undertaking, has entered into RPI swaps with external counterparties all initially entered into on 5 March 2013, details of which are as follows:

External hedge arrangements

- a 27-year RPI swap with Royal Bank of Canada commencing in February 2014 and finishing in February 2040
- a 27-year RPI swap with Mitsubishi UFJ Securities International plc commencing in February 2014 and finishing in February 2040

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

These instruments are mirrored with matching derivative instruments on–lent to six AssetCos. This is to manage the exposure of the Group to RPI movements from loan receipts from AssetCos where revenue streams are sensitive to inflation rate risk.

Hedge arrangements with AssetCos

- a 25-year RPI swap with UPP (Alcuin) Limited commencing in February 2015 and finishing in August 2040
- a 27-year RPI swap with UPP (Broadgate Park) Holdings Limited commencing in February 2015 and finishing in February 2042
- a 27-year RPI swap with UPP (Kent Student Accommodation) Limited commencing in February 2015 and finishing in February 2042
- a 27-year RPI swap with UPP (Nottingham) Limited commencing in February 2015 and finishing in February 2042
- a 26-year RPI swap with UPP (Oxford Brookes) Limited commencing in February 2014 and finishing in August 2039
- a 27-year RPI swap with UPP (Plymouth Three) Limited commencing in February 2015 and finishing in February 2042

The notional amounts swapped for each year have been determined with reference to a percentage of the debt servicing costs of the fixed rate tranche of the relevant AssetCo on-loan agreement with UPP Bond 1 Issuer Plc.

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

Due to limitations on the application of hedge accounting, volatility has been introduced into the income statement as market value movements are not fully offset by movements in the underlying hedged item within each period and/or hedging items do not meet the qualifying criteria of being separately identifiable and reliably measurable.

We note, however, that these limitations within Section 12 do not impact the Group's cash flow position. The reasons for entering into RPI swaps remain commercially sound - that is they are intended to be held to maturity in order to reduce volatility in the Group's cash flows.

Liquidity risk

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and debt servicing and by investing cash assets safely and profitably. The maturity of borrowings is set out in note 19 to the financial statements.

Terms and debt repayment schedule:

	Currency	Effective interest rate (%)	Year of maturity	**Book value**
				2019 £'000
Fixed rate senior secured notes	£	4.9023%	2040	**275,869**
Index-linked senior secured notes (issued 2013)	£	2.9105%	2047	**86,282**
Index-linked senior secured notes (issued 2014)	£	1.0520%	2049	**138,035**
Unsecured loan notes (issued 2013)	£	9.3700%	2056	**167,492**
Unsecured loan notes (issued 2014)	£	11.3800%	2051	**24,265**
				691,943

Demand risk

The Group is subjected to risks arising from occupancy voids and lack of nominations by the university partners, which can lead to uncertain revenues. This risk is managed by cementing relationships with the university, improved marketing of accommodation and improved third-party revenues to compensate for any shortfalls in rental income.

Portfolio risk

The assets of the Group are in the student market and reduced student numbers could impact upon financial performance. The Group seeks to mitigate this risk by building excellent, long-term relationships with its university partners and ensuring up-to-date, in depth market analysis is completed each year to enable the Group to review its strategic position.

25. Financial instruments

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

	Carrying amount At 31 August 2019	Carrying amount At 31 August 2018
	£'000	£'000
Financial asset		
Financial assets measured at amortised cost:		
Trade debtors	**406**	231
Other related party loans	**5,564**	47
Total financial liabilities measured at amortised cost	**5,970**	278
Financial assets measured at fair value		
Derivative financial assets	**18,106**	22,362
Financial liabilities		
Financial liabilities measured at amortised cost:		
Fixed rate senior secured notes	**275,869**	281,515
Index-linked senior secured notes	**224,317**	222,616
Unsecured loan notes	**191,758**	182,703
Trade creditors	**805**	378
Other related party loans	**7,691**	5,428
Total financial liabilities measured at amortised cost	**700,440**	692,640

26. Parent undertaking and controlling party

The Group is wholly owned by UPP Group Limited, a company itself a wholly owned subsidiary of UPP REIT Holdings Limited.

The parent undertaking of the largest group of which the Company is a member, and of which Group accounts are prepared, is UPP REIT Holdings Limited.

UPP REIT Holdings Limited is controlled by a 60% stake held by PGGM Vermogensbeherr ('PGGM'), incorporated in The Netherlands.

The ultimate controlling party is PGGM by virtue of their majority shareholdings.

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

The parent undertaking of the smallest group of which the Company is a member, and for which Group accounts are prepared, is UPP Group Holdings Limited.

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

www.upp-ltd.com