



—

UPP REIT Holdings Limited

Condensed consolidated interim
financial statements for the six
months ended 29 February 2020



FINANCIAL STATEMENTS

03	<i>Directors and Advisors</i>
-	-
04	<i>Strategic report</i>
-	-
08	<i>Condensed consolidated statement of profit or loss</i>
-	-
09	<i>Condensed consolidated statement of other comprehensive income</i>
-	-
10	<i>Condensed consolidated statement of changes in equity</i>
-	-
11	<i>Condensed consolidated statement of financial position</i>
-	-
13	<i>Condensed consolidated statement of cash flows</i>
-	-
15	<i>Notes to the condensed consolidated interim financial statements</i>

Directors	Richard Bienfait - <i>resigned on 31 January 2020</i> Irina Frolova Henry Gervaise-Jones Elaine Hewitt - <i>appointed on 7 April 2020</i> Jingshen Hu Hendrik Huizing Robert McClatchey Andrew Wilkie
-	-
Secretary	Sanne Secretaries Limited
-	-
Registered office	IFC 5 St. Helier Jersey JE1 1ST

— Strategic report

The Directors present their report and financial statements for the six months ended 29 February 2020.

Principal activity and business review

UPP REIT Holdings Limited ('the Company') (ISIN – JE00BF5PSP50) is a close-ended UK REIT and the Parent of the UPP REIT Holdings Group ('the Group'). The Company was incorporated on 18 April 2017 and admitted to the Official List of The International Stock Exchange (TISE) on 28 February 2018. As a result of the Group restructuring in February 2018, the Company became a parent company of UPP Group Holdings Limited, trading as University Partnerships Programme ('UPP').

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

For the six months ended 29 February 2020, the Group's operating profit saw an increase of 22.1% to £30.9 million. The period also saw the Group reach financial close on a further scheme with Swansea University, open new accommodation at the University of Hull and University of London and continue construction activities on schemes at the University of Exeter.

On 2 December 2019, the Group announced that it had successfully reached financial close on a £43.4 million scheme with St Modwen Developments, Swansea University and Swan Global LLP for the acquisition of the freehold of 411 rooms at the University's Bay Campus.

The acquisition included £38.7 million of index-linked debt financing, with a debt tenor of circa 45 years. UPP Group Holdings Limited and its Shareholders invested £4.7 million of subordinated debt and equity.

It marked the second successful deal between UPP, St Modwen Developments and Swansea University, and follows the £98.1 million transaction in February 2018 where UPP acquired two companies from St Modwen Properties PLC to operate 2,021 study bedrooms on the University's Bay Campus, as well as acquiring a freehold property interest in further accommodation. The total number of rooms operated by UPP on the Bay Campus now stands at 2,432.

During the same month, on 11 December 2019, the Group announced that it had been appointed to deliver a three-year, full facilities management service by Imperial College London in what became UPP's first private-let contract with a university. The Group's facilities management arm, UPP Residential Services Limited, is operating 192 one, two and three-bedroom apartments on the University's White City Campus in Hammersmith and Fulham.

In terms of construction activity, during September 2019, two new developments at the University of Hull and the University of London respectively welcomed their first student residents for the academic year 2019/20, with practical completion having been reached during the year ended 31 August 2019.

In September, the University of Hull and UPP opened their doors to new and returning students at the Westfield Court residences. UPP is responsible for operating the nine-block development, totalling 1,462 rooms, with an investment value of over £155 million.

Established in 2016, the partnership involved UPP designing, building and financing the scheme, operating it for 51 years thereafter. Successful completion of Westfield Court, which has a total construction value of over £97 million, means UPP now operates a total of 1,750 rooms across the University's campus, including 288 rooms at the existing Taylor Court residences.

In partnership with the University of London, the Group also delivered a further 511 rooms at the Eleanor Rosa House development in Stratford, East London. It provides a mixed-use, 33-storey landmark building delivering over 18,000 square metres of new student accommodation. UPP operates all study bedrooms and associated communal space.

Eleanor Rosa House is the result of UPP's second transaction with the University of London, reinforcing the bespoke, long-term partnership which is enhancing and increasing the accommodation available to students at the University and its affiliated institutions. It was officially opened by Her Royal Highness, The Princess Royal, Chancellor of the University of London, on 28 January 2020.

During the six months ended 29 February 2020, the Group continued to progress construction activities relating to three schemes with the University of Exeter. Having successfully reached financial close on the £139.7 million East Park project in January 2019, UPP appointed Vinci Construction UK Limited to deliver the development on the University's Streatham Campus which is now well underway.

The scheme is set to become operational over two phases - in September 2020 and September 2021.

East Park marked the third on-campus scheme currently under construction between UPP and the University of Exeter, with the £41.4 million redevelopment of its Moberly and Spreytonway residences - consisting of 250 and 131 beds respectively - due for occupation by September 2020. When the three schemes are complete, UPP will be operating 4,156 rooms on the University's campus.

At the beginning of the six months ended 29 February 2020, following a fire at student accommodation in Greater Manchester, the fire safety of student accommodation once again became a focus of Government and media attention.

Following the Grenfell Tower tragedy in June 2017, UPP established a Fire Safety Working Group focused on three key workstreams - fire safety compliance, construction and cladding, and communicating with stakeholders.

All buildings across the portfolio have been fully reviewed, with the findings presented to university partners. We can confirm that all of our buildings comply with UPP's Fire Policy and Procedures and that independent Fire Risk Assessments have been undertaken.



On 17 January 2020, UPP announced the appointment of Elaine Hewitt as its new Chief Executive Officer. Elaine joined the Business on 1 April 2020.

A Fellow of the Royal Institute of Chartered Surveyors (RICS), Elaine joins UPP from NHS Property Services Ltd where she has been Chief Executive Officer since 2015. Prior to this, Elaine held the position of Group Property Director at BT Group PLC.

As well as having considerable private sector experience, Elaine has also held public sector roles, notably Crown Representative in the Cabinet Office for Property and Facilities Management across Government.

Finally, the COVID-19 outbreak in the UK and the rest of the world has entailed significant disruption for higher education (HE) and many other sectors. The overarching priority for the Group is to work closely and effectively, together with our partners, to ensure our accommodation remains available to students and operating safely and effectively. Our plans and activities in support of students, staff and our partners have been aligned to advice from Public Health England. More details of our approach and related activities may be found on our Investor Centre.

With respect to revenue, the Group receives rent from each institution, rather than directly from students. All rents due since the start of the COVID-19 outbreak have been received. The Group is not expecting an impact on revenues for the 2019/20 year.

The Group is working to support partners where we can and is engaging in discussions regarding planning for the academic term 2020/21. The UK Government appears committed to facilitating as normal a start to the 2020/21 academic year as possible. Several HE institutions have indicated that campuses will be open in September albeit with social distancing measure in place and with a blend of online and face-to-face teaching.

The Group is developing operational plans to facilitate the arrival and occupation of our accommodation by students and does not expect this to have a material impact on revenues for the 2020/21 academic year.

Condensed consolidated statement of profit or loss

For the six months ended 29 February 2020

		Six months ended 29 February 2020	Six months ended 28 February 2019
	Note	£'000	£'000
Rental and other income	6	123,781	123,853
Cost of sales		(58,668)	(62,712)
Gross profit		65,113	61,141
Operating expenses		(34,160)	(35,783)
Operating profit		30,953	25,358
Finance income	7	8,452	2,687
Senior financing interest	8	(38,952)	(37,311)
Other interest payable and similar charges	8	(1,558)	(2,127)
Finance cost total		(40,510)	(39,438)
Loss on ordinary activities before taxation		(1,105)	(11,393)
Tax on loss on ordinary activities		-	-
Loss for the financial period		(1,105)	(11,393)
Loss for the financial year attributable to:			
Non-controlling interests		(886)	(228)
Owners of the Parent		(219)	(11,165)
Loss for the financial period		(1,105)	(11,393)

The above results all relate to continuing operations.

The notes on pages 15 to 37 form part of these financial statements.

Condensed consolidated statement of other comprehensive income

For the six months ended 29 February 2020

	Six months ended 29 February 2020	Six months ended 28 February 2019
	£'000	£'000
Loss for the financial period	(1,105)	(11,393)
Items that will not be reclassified to profit and loss		
Reversal of deferred tax on revaluation of principal assets	-	-
	-	-
Items that are or may be reclassified subsequently to profit and loss		
Fair value movements on swaps	37,382	(4,162)
	37,382	(4,162)
Total other comprehensive income for the period	37,382	(4,162)
Total comprehensive loss for the period	36,277	(15,555)
Other comprehensive income for the year attributable to:		
Non-controlling interests	573	(19)
Owners of the Parent	36,809	(4,143)
Total	37,382	(4,162)
Total other comprehensive income for the period attributable to:		
Non-controlling interests	(313)	(246)
Owners of the Parent	36,590	(15,309)
Total	36,277	(15,555)

The notes on pages 15 to 37 form part of these financial statements.

Condensed consolidated statement of changes in equity

For the six months ended 29 February 2020

	Attributable to equity holders of the Parent Company										
	Cash flow					Cash flow hedge reserve	Revaluation reserve	Retained earnings	Shareholders' equity	Non-controlling interest	Total equity
	Share capital	Share premium	Capital reserve	Other reserve							
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000		
At 1 September 2018	1,000	458,767	23,285	-	(105,987)	19,167	(244,421)	151,811	(12,377)	139,434	
Loss for the financial period	-	-	-	-	-	-	(11,165)	(11,165)	(228)	(11,393)	
Other comprehensive income	-	-	-	-	(4,143)	-	-	(4,143)	(19)	(4,162)	
Total comprehensive income	-	-	-	-	(4,143)	-	(11,165)	(15,308)	(247)	(15,555)	
New shares issued	32	14,718	-	-	-	-	-	14,750	-	14,750	
Equity-settled share-based payments	-	-	-	-	-	-	38	38	-	38	
Transactions with owners											
Dividends paid	-	-	-	-	-	-	(8,000)	(8,000)	-	(8,000)	
At 28 February 2019	1,032	473,485	23,285	-	(110,130)	19,167	(263,548)	143,291	(12,624)	130,667	
At 1 September 2019	1,032	473,485	23,428	-	(162,574)	19,167	(270,609)	83,929	(14,001)	69,928	
Loss for the financial period	-	-	-	-	-	-	(219)	(219)	(886)	(1,105)	
Other comprehensive income	-	-	-	-	37,382	-	-	37,382	-	37,382	
Total comprehensive income	-	-	-	-	37,382	-	(219)	37,163	(886)	36,277	
New shares issued	-	-	-	-	-	-	-	-	-	-	
Equity-settled share-based payments	-	-	-	-	-	-	(143)	(143)	-	(143)	
At 29 February 2020	1,032	473,485	23,428	-	(125,192)	19,167	(270,971)	120,949	(14,887)	106,062	

The notes on pages 15 to 37 form part of these financial statements.

Condensed consolidated statement of financial position

As at 29 February 2020

		29 February 2020	31 August 2019
	Note	£'000	£'000
Assets			
Non-current assets			
Property, plant and equipment		568	1,533
Service concession arrangements - intangible assets	10	1,610,197	1,586,509
Other intangible assets		110,445	110,244
Derivative financial assets		52,842	22,297
Total non-current assets		1,774,052	1,720,583
Current assets			
Trade and other receivables	11	6,611	7,897
Service concession arrangements - financial assets		135,998	102,984
Cash at bank and in hand	21	199,554	231,351
Total current assets		342,163	342,232
Total assets		2,116,215	2,062,815
Equity and liabilities			
Liabilities			
Non-current liabilities			
Borrowings	14	1,735,187	1,711,968
Derivative financial instruments	14	169,488	180,785
Employee benefit obligations		1,882	1,882
Total non-current liabilities		1,906,557	1,894,635

Condensed consolidated statement of financial position (continued)

	29 February 2020		31 August 2019
	Note	£'000	£'000
Current liabilities			
Borrowings	14	36,817	34,817
Trade and other payables	12	20,385	16,939
Accrual and deferred income		46,251	46,353
Provisions		143	143
Total current liabilities		103,596	98,252
Total liabilities		2,010,153	1,992,887
Equity			
Called-up share capital		1,032	1,032
Share premium account		473,485	473,485
Capital reserves		23,428	23,428
Cash flow hedge reserve		(125,192)	(162,574)
Revaluation reserve		19,167	19,167
Retained earnings		(270,971)	(270,609)
Equity attributable to owners of the Parent Company		120,949	83,929
Non-controlling interest		(14,887)	(14,001)
Total equity		106,062	69,928

The notes on pages 15 to 37 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board on 23 June 2020 and were signed on its behalf by:



Henry Gervaise-Jones

Director

Condensed consolidated statement of cash flows

For the six months ended 29 February 2020

	Six months ended 29 February 2020	Six months ended 28 February 2019
	£'000	£'000
Loss for the financial period	(1,105)	(11,393)
<i>Adjustments for:</i>		
Tax on loss on ordinary activities	-	-
Net interest expense	32,058	36,751
Operating profit	30,953	25,358
Depreciation	17,409	22,611
Goodwill impairment	998	998
Amortisation of computer software	374	500
Increase/(decrease) in provisions for dilapidations	-	8
Increase/(decrease) in debtors due within one year	(2,910)	4,743
Increase/(decrease) in creditors due within one year	539	9,414
Net cash inflow from operating activities	47,363	63,632
Investing activities		
Interest received	3,993	964
Payments for intangible fixed assets	(589)	(365)
Payments for concession arrangements	(74,272)	(75,754)
Acquisition of subsidiary, net of cash acquired	-	-
Payments to acquire tangible fixed assets	(89)	(139)
Net cash flow used in investing activities	(70,957)	(75,294)

Condensed consolidated statement of cash flows (continued)

	Six months ended 29 February 2020	Six months ended 28 February 2019
	£'000	£'000
Financing activities		
New debt drawn	39,291	65,372
Interest paid	(24,945)	(30,856)
Senior debt repayments	(21,164)	(10,611)
Dividends paid	-	(8,000)
Finance lease payments	(1,385)	(2,380)
Capital contributions	-	14,750
Net cash flow from/(used in) financing activities	(8,203)	28,275
Increase/(decrease) in cash and cash equivalents	(31,797)	16,613
Cash and cash equivalents at 1 September	231,351	207,781
Cash and cash equivalents at 29 February	199,554	224,394

The notes on pages 15 to 37 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board on 23 June 2020 and were signed on its behalf by:



Henry Gervaise-Jones

Director

—

Notes to the condensed consolidated interim financial statements

For the six months ended 29 February 2020

1. General information

UPP REIT Holdings Limited ('the Company') is a close-ended UK REIT and the Parent of the UPP REIT Holdings Group ('the Group').

UPP REIT Holdings Limited is a private company limited by shares and incorporated on 18 April 2017 in Jersey, with company number 123688. The registered office is IFC 5, St. Helier, Jersey, JE1 1ST. These condensed consolidated interim financial statements ('interim financial statements') for the six months ended 29 February 2020 comprise the Company and its subsidiaries (together referred to as 'the Group').

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

UPP REIT Holdings Limited is listed on The International Stock Exchange (TISE). UPP REIT Holdings Limited is UK tax resident.

2. Basis of preparation

These interim financial statements of the Group have been prepared in accordance with IAS 34 'Interim Financial Reporting' and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 August 2019 ('last annual financial statements'). They do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant with regard to any changes in the Group's financial position and performance since the last annual financial statements.

The accounting policies and methods of computation applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 August 2019.

These interim financial statements for the six months ended 29 February 2020 were authorised for issue by the Company's Board of Directors on 23 June 2020.

3. Impact of new accounting standards and changes in accounting policies

IFRS 16

The International Accounting Standards Board issued a new lease standard, IFRS 16, to replace the existing lease standard (IAS 17) from 1 January 2019, with early adoption possible before that date for entities that have also early-adopted IFRS 15 - the new revenue standard which comes into effect from 1 January 2019.

A key change arising from IFRS 16 is that lessees are required to recognise a lease liability reflecting future lease payments and a right-of-use asset for lease contracts, subject to exceptions for short-term leases and leases of low-value assets.

There is no significant impact of the above changes on consolidated financial statements of the Group.

4. Judgements and key sources of estimation uncertainty

The preparation of interim 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.

The significant judgements and estimates made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

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

Valuation of retail price index (RPI) and interest rate (IR) swaps

Derivatives are initially recognised at fair value at the date a derivative is entered into and are subsequently remeasured to their fair value at each reporting date. 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 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 and applied at each year end. Those market interest 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.

Impairment of non-financial assets

At each reporting date, the Group assesses 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 cost generating unit (CGU) to which the asset belongs. The recoverable amount of an asset or CGU 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.

Judgements and key sources of estimation uncertainty (continued)

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

Capitalisation of costs and construction margin

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

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

Hedge accounting for inflation swaps

The Group has chosen to apply hedge accounting for all hedging instruments. 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. This 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 IFRS.

Taxation

The Group is a Real Estate Investment Trust (REIT). As a result, the Group does not pay UK corporation tax on its profits and gains from the qualifying rental business in the UK. Non-qualifying profits and gains of the Group continue to be subject to corporation tax as normal. In order to maintain Group REIT status, certain ongoing criteria must be met. The main criteria are as follows:

- At the start of each accounting period, the assets of the tax-exempt business must be at least 75% of the total value of the Group's assets;
- At least 75% of the Group's total profits must arise from the tax-exempt business; and
- At least 90% of the notional taxable profit of the property rental business must be distributed.

The Directors confirm that these criteria will be met for the qualifying accounting period and intend that the Group should continue as a REIT for the foreseeable future.

Deferred tax assets and liabilities require management judgement in determining the amounts, if any, to be recognised. In particular, judgement is required when assessing the extent to which deferred tax assets should be recognised, taking into account the expected timing and level of future taxable income. Deferred tax assets are only recognised when management believes they will be recovered against future taxable profits.

5. Segment information

The Group is organised into business units based on their services and has three reportable segments as follows:

- Special Purpose Vehicles (SPVs) - performing development, funding, construction and operation of student accommodation under the University Partnerships Programme
- UPP Residential Services Limited (URSL) - providing facilities management services to SPVs
- UPP Projects Limited (UPL) - securing long-term, bespoke partnership agreements to design, build and finance student accommodation and related academic infrastructure

The Group's management monitors the operating results of its segments separately for the purpose of making decisions on resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the condensed consolidated interim financial statements.

Transfer prices between operating segments are set on an arm's length basis.

All segments operate and perform all transactions in the UK.

Other operations include financing and general Group management, which are not considered by management as a separate reporting segment.



Segment information (continued)

	Note	SPVs	URSL	UPL	Total segments	Adjustments and eliminations	Consolidated
		£'000	£'000	£'000	£'000	£'000	£'000
Six months ended 29 February 2020							
Rental and other income – external		121,253	2,528	-	123,781	-	123,781
Rental and other income – internal	A	-	11,274	1,877	13,151	(13,151)	-
Cost of sales	B	(56,381)	(11,673)	(256)	(68,310)	9,642	(58,668)
Gross profit		64,872	2,129	1,621	68,622	(3,509)	65,113
Operating expenses	B	(15,101)	(1,166)	(999)	(17,266)	(16,894)	(34,160)
Operating profit		49,771	963	622	51,356	(20,403)	30,953
Finance income		8,364	3	-	8,367	85	8,452
Senior financing interest		(38,583)	-	-	(38,583)	(369)	(38,952)
Other interest payable and similar charges	C	(13,865)	-	-	(13,865)	12,307	(1,558)
Finance cost total		(52,448)	-	-	(52,448)	11,938	(40,510)
Segment profit/(loss) on ordinary activities before taxation		5,687	966	622	7,275	(8,380)	(1,105)
Tax on loss on ordinary activities		-	-	-	-	-	-
Segment profit/loss for the financial year		5,687	966	622	7,275	(8,380)	(1,105)
Total assets	D	2,056,730	29,879	2,341	2,088,950	27,265	2,116,215
Total liabilities	D	2,258,594	10,000	10,474	2,279,068	(268,915)	2,010,153

Segment information (continued)

	Note	SPVs	URSL	UPL	Total segments	Adjustments and eliminations	Consolidated
		£'000	£'000	£'000	£'000	£'000	£'000
Six months ended 28 February 2019							
Rental and other income – external		118,656	1,641	3,556	123,853	-	123,853
Rental and other income – internal	A	-	10,122	4,681	14,803	(14,803)	-
Cost of sales	B	(60,228)	(8,281)	(4,462)	(72,971)	10,259	(62,712)
Gross profit		58,428	3,482	3,775	65,685	(4,544)	61,141
Operating expenses	B	(9,014)	(794)	(1,096)	(10,904)	(24,879)	(35,783)
Operating profit		49,414	2,688	2,679	54,781	(29,423)	25,358
Finance income		2,644	-	-	2,644	43	2,687
Senior financing interest		(37,689)	-	-	(37,689)	378	(37,311)
Other interest payable and similar charges	C	(11,027)	-	-	(11,027)	8,900	(2,127)
Finance cost total		(48,716)	-	-	(48,716)	9,278	(39,438)
Loss on ordinary activities before taxation		3,342	2,688	2,679	8,709	(20,102)	(11,393)
Tax on loss on ordinary activities		-	-	-	-	-	-
Loss for the financial year		3,342	2,688	2,679	8,709	(20,102)	(11,393)
As at 31 August 2019							
Total assets	D	1,988,385	35,266	1,110	2,024,761	38,054	2,062,815
Total liabilities	D	2,224,261	16,353	8,858	2,249,472	(256,585)	1,992,887

Segment information (continued)

Notes to the segment information:

A. Rental and other income

Adjustments and eliminations represent intercompany transactions that are eliminated on consolidation. Those transactions are mainly held between URSL and each SPV. There is also an elimination of UPL income that represents internal revenue from any new development projects. This income is eliminated against the SPV's assets.

B. Cost of sales and operating expenses

Adjustments and eliminations represent intercompany transactions that are eliminated on consolidation. Those transactions are mainly transactions held between URSL and each SPV. The adjustments and eliminations line also represents administrative costs that are not allocated to any of the segments.

C. Other interest payable and similar charges

Adjustments and eliminations mainly represent financing costs payable to Shareholders that are not allocated to any of the segments.

D. Total assets and total liabilities

Adjustments and eliminations related to total assets mainly represent assets related to the Group management companies (such as UPP Group Limited) and represent goodwill and cash allocated to those companies. Adjustments and eliminations related to total liabilities represent mainly UPP Bond I Issuer PLC liabilities and accruals and trade creditors related to Group management activities.

6. Turnover

The Group's operations and main revenue streams are those described in the last annual financial statements. Turnover represents the amounts derived from the provision of services, which fall within the Group's ordinary activities, stated net of value added tax (VAT).

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

	Six months ended 29 February 2020	Six months ended 28 February 2019
	£'000	£'000
Student accommodation rental income	91,166	84,534
Construction services	30,087	33,096
Management and development services	-	3,555
Facilities management services	2,528	2,668
	123,781	123,853

In the following table, revenue from contracts with customers is disaggregated by service lines. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments (see Note 5).



Turnover (continued)

		SPVs	URSL	UPL	Total segments	Adjustments and eliminations	Consolidated
	Note	£'000	£'000	£'000	£'000	£'000	£'000
Six months ended 29 February 2020							
Student accommodation rental income		91,166	-	-	91,166	-	91,166
Construction services		30,087	-	-	30,087	-	30,087
Management and development services - intragroup		-	-	1,877	1,877	(1,877)	-
Facilities management services		-	2,528	-	2,528	-	2,528
Facilities management services - intragroup		-	11,274	-	11,274	(11,274)	-
Total		121,253	13,802	1,877	136,932	(13,151)	123,781
Revenue as reported in Segments	5	121,253	13,802	1,877	136,932	(13,151)	123,781
Six months ended 28 February 2019							
Student accommodation rental income		85,560	-	-	85,560	-	85,560
Construction services		33,096	-	-	33,096	-	33,096
Management and development services		-	-	3,556	3,556	-	3,556
Management and development services - intragroup		-	-	4,681	4,681	(4,681)	-
Facilities management services		-	1,641	-	1,641	-	1,641
Facilities management services - intragroup		-	10,122	-	10,122	(10,122)	-
Total		118,656	11,763	8,237	138,656	(14,803)	123,853
Revenue as reported in Segments	5	118,656	11,763	8,237	138,656	(14,803)	123,853

Turnover (continued)

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

	29 February 2020	31 August 2019
Receivables, which are included in 'trade and other receivables'	3,234	4,196
Contract assets	3,250	2,531
Contract liabilities	(24,460)	(2,196)

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer.

The contract liabilities primarily relate to the advance consideration received from customers. This will be recognised as revenue when the service is provided and is expected to be recognised as revenue in the next financial year.

The Group issues invoices for rental services to universities on regular basis as per an agreement with each university (which varies from quarterly to three times per year). The invoices for rental services are raised upfront for the period agreed with the universities. The payments are typically done within one month from the issuance of the invoice.

The Group issues invoices for facilities management services on a monthly basis after the services were performed. The payments are typically received within one month from the issuance of the invoice.

During the construction phase, the service concession grantor gives the Group non-cash consideration in the form of an intangible asset being a licence to charge users of the public service, in exchange for construction services. Therefore, there are no revenue cash flows or invoicing activities in relation to construction services revenue.

7. Interest and similar income

	Six months ended 29 February 2020	Six months ended 28 February 2019
	£'000	£'000
Interest received on cash balances	264	235
Interest income on finance receivable	3,729	2,452
Finance gain on fair value movements on swaps	4,459	-
	8,452	2,687

8. Interest and similar expense

	Six months ended 29 February 2020	Six months ended 28 February 2019
	£'000	£'000
Financial liabilities measured at amortised cost		
Bank loan interest	12,008	12,694
Interest payable on senior secured notes	17,679	18,037
Interest payable on index-linked facilities	9,265	6,580
Subordinated loan note interest	1,558	1,459
Financial liabilities measured at fair value		
Fair value movements on swaps	-	668
	40,509	39,438

9. Tax on loss on ordinary activities and factors that may affect future tax charges

With effect from 1 March 2018, UPP REIT Holdings Limited, the ultimate parent company of the Group, has elected for Real Estate Investment Trust ('REIT') status to apply to the Group. As a result, the Group no longer pays income tax on profits and gains from qualifying property rental business, providing it meets certain conditions.



10. Intangible assets – service concession arrangements

	Service concession arrangements	Assets in the course of construction	Total
	£'000	£'000	£'000
Cost			
At 1 September 2019	1,604,903	71,279	1,676,182
Additions	5,182	35,856	41,038
Transfer	71,279	(71,279)	-
At 29 February 2020	1,681,364	35,856	1,717,220
Amortisation			
At 1 September 2019	89,673	-	89,673
Charge during the year	17,350	-	17,350
At 29 February 2020	107,023	-	107,023
Net book value			
At 29 February 2020	1,574,341	35,856	1,610,197
At 1 September 2019	1,515,230	71,279	1,586,509
Cost			
At 1 September 2018	1,382,152	171,293	1,553,445
Additions	-	71,929	71,929
At 28 February 2019	1,382,152	243,222	1,625,374
Amortisation			
At 1 September 2018	60,674	-	60,674
Charge during the year	22,778	-	22,778
At 28 February 2019	83,452	-	83,452
Net book value			
At 28 February 2018	1,298,700	243,222	1,541,922
At 1 September 2019	1,321,478	171,293	1,492,771

Included in intangible assets are properties being managed under service concession arrangements. Assets under construction are scheduled to become operational in September 2020.

11. Current trade and other receivables

	29 February 2020	31 August 2019
	£'000	£'000
Trade debtors	3,234	4,196
VAT recoverable	127	1,170
Prepayments and accrued income	3,250	2,531
	6,611	7,897

12. Current trade and other payables

	29 February 2020	31 August 2019
	£'000	£'000
Trade creditors	14,414	15,664
Amounts owed to related parties	3,281	230
Other taxes and social security	(113)	1,045
Accruals and deferred income	46,251	46,353
	63,832	63,292

13. Financial assets

	29 February 2020	31 August 2019
	£'000	£'000
Derivatives designated as hedging instruments		
RPI swaps	42,494	16,408
Derivatives not designated as hedging instruments		
RPI swaps	10,348	5,889
Financial assets at amortised cost		
Financial receivable - service concession arrangements	135,998	103,261
Trade and other receivables	3,234	4,252
Cash at bank and in hand	199,554	231,351
	391,628	360,884
Total current	202,788	235,603
Total non-current	188,840	125,281

Derivatives designated as hedging instruments reflect the fair value of swap contracts designated as cash flow hedges. Those hedges are used to hedge highly-probable revenue changes due to RPI or interest rate changes.

Derivatives not designated as hedging instruments reflect the fair value of those RPI swap contracts, which are not designated in a hedge relationship, but are nevertheless intended to reduce the level of revenue changes due to RPI changes.

The terms of the finance agreement provide that the lender will seek repayment of the finance only to the extent that sufficient funds are generated by specific assets financed and will not seek recourse to the Company in any other form.



14. Financial liabilities

	29 February 2020	31 August 2019
	£'000	£'000
Borrowings		
Senior secured notes	494,692	500,285
Senior debt	548,440	554,180
Senior index-linked debt	617,796	581,957
Non-recourse bank debt finance	80,032	80,801
Secured subordinated loan notes	31,044	29,562
Derivatives designated as hedging instruments		
Interest rate swaps	169,488	176,165
RPI swaps	-	4,620
Financial liabilities at amortised cost		
Trade and other payables	14,414	15,895
	1,955,906	1,943,465
Total current		
	51,231	50,712
Total non-current		
	1,904,676	1,892,753

Financial liabilities (continued)

Non-recourse finance facilities

In December 2019, the Group reached financial close on a £43 million deal to acquire 411 bedrooms at Swansea University. A new SPV, UPP (Swansea 2) LLP, has been set up and a new finance facility has been provided.

The key terms of the new facility are:

	Coupon rate	Final repayment date
Inflation-linked loan	Real interest rate of 0.050% increasing semi-annually by RPI	August 2064

15. Hedging activities and derivatives

Derivatives not designated as hedging instruments

The Group uses RPI swaps to manage some of the inflation-related risk in relation to revenue. These contracts are not designated as cash flow hedges and are entered into for the period consistent with the length of the service concession arrangement contract.

Cash flow hedges

The Group uses RPI swaps and IR swaps to manage some of the inflation risk in relation to the Group's revenue and to manage interest rate risk in relation to the debt costs. The derivative contract lengths are aligned with the length of the service concession arrangement contract in relation to the RPI swaps and with the length of the debt contracts in relation to IR swaps.

	29 February 2020		31 August 2019	
	£'000		£'000	
	Assets	Liabilities	Assets	Liabilities
IR swaps designated as hedging instrument	-	(169,488)	-	(176,165)
RPI swaps designated as hedging instrument	42,494	-	16,408	(4,620)
RPI swaps not designated as hedging instruments	10,348	-	5,889	-
	52,842	(169,488)	22,297	(180,785)

Hedging activities and derivatives (continued)

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

	29 February 2020	31 August 2019	31 August 2018
	£'000	£'000	£'000
Fair value of derivatives used for hedging			
Creditors: amounts falling due after one year	(169,488)	(180,785)	(133,122)
Debtors: amounts falling due after one year	42,494	16,408	26,248
Movement in fair value of derivatives used for hedging			
Recognised profit/(loss) through other comprehensive income:			
Owners of the Parent	36,809	(56,587)	(106,875)
Non-controlling interest	573	(915)	501
Fair value of derivatives not used for hedging			
Creditors: amounts falling due after more than one year	-	-	-
Debtors: amounts falling due after one year	10,348	5,889	7,276
Movement in fair value of derivatives not used for hedging			
Recognised profit through the income statement	4,459	(1,387)	498

16. Fair value measurement

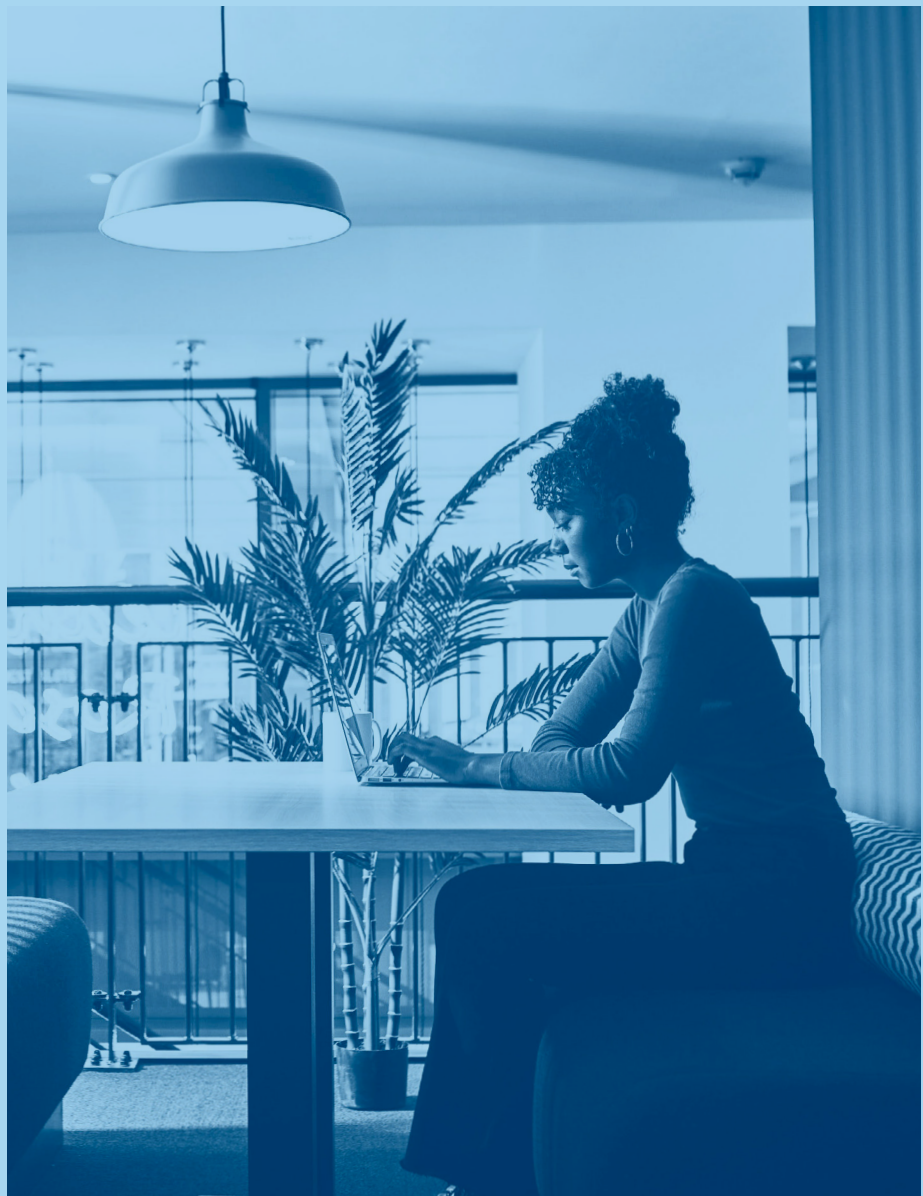
The following table provides the fair-value measurement and hierarchy of the Group's financial assets and liabilities:

	29 February 2020		31 August 2019	
	Book value	Significant observable inputs Level 2	Book value	Significant observable inputs Level 2
	£'000		£'000	
Financial assets				
Derivatives designated as hedging instruments				
RPI swaps	42,494	42,494	16,408	16,408
Derivatives not designated as hedging instruments				
RPI swaps	10,348	10,348	5,889	5,889
Financial assets at amortised cost				
Financial receivable - service concession arrangements	135,998	135,998	102,984	102,984
Trade and other receivables	3,234	*	4,252	*
Cash at bank and in hand	199,554	*	231,351	*
	391,628		360,884	
Financial liabilities				
Borrowings				
Senior secured notes	494,692	522,111	500,285	527,646
Senior debt	548,440	548,898	554,180	551,698
Senior index-linked debt	617,796	579,510	581,957	528,563
Non-recourse bank debt finance	80,032	62,016	80,801	62,992
Secured subordinated loan notes	31,044	27,392	29,562	22,846
Derivatives designated as hedging instruments				
Interest rate swaps	169,488	169,488	176,165	176,165
RPI swaps	-	-	4,620	4,620
Financial liabilities at amortised cost				
Trade and other payables	14,414	*	15,895	*
	1,955,906		1,943,465	

* The Group has not disclosed the fair values for financial instruments, such as short-term trade receivables and payables, because their carrying amount is a reasonable approximation of fair value.

16. 1. Valuation techniques and significant unobservable inputs

Type	Valuation technique
Derivative instruments	The fair values of the derivative IR swap contracts and RPI swap contracts are estimated by discounting expected future cash flows using market interest rates and market inflation rates
Financial receivables – service concession arrangements Trade and other receivables Cash at bank and in hand Trade and other payables	The fair values of the Group’s cash and cash equivalents and trade payables and receivables are not materially different from those at which they are carried in the financial statements due to the short-term nature of these instruments
Borrowings	The valuation model considers the present value of expected payment, discounted using a risk-adjusted discount rate



17. Reserves

Revaluation reserve

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

Other reserve

Other reserve relates to deferred tax liability on fair-value adjustments arising on business combinations prior to transition to IFRS on 1 September 2016.

Capital reserve

The capital contributions relate to benefits assigned by The Alma Mater Fund LP, which retains the risks associated with the benefits. These have been received in cash and are non-refundable.

Cash flow hedge reserve

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

Profit and loss account

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

18. Parent undertaking and controlling party

The Group and the Company is 60% owned by PGGM Vermogensbeheer BV ('PGGM'), on behalf of their pension fund clients. This entity is incorporated in The Netherlands.

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



19. Related party transactions

As at 29 February 2020, the Directors consider that, during the year, Nottingham Trent University, the University of Reading, the University of London and the University of Hull are the only related parties of the Group by virtue of their shareholdings in the Company: UPP (Clifton) Holdings Limited, UPP (Byron House) Holdings Limited, UPP (Reading 1) Holdings Limited, UPP (Cartwright Gardens) Holdings Limited, UPP (Duncan House) Holdings Limited and UPP (Hull) Holdings Limited respectively.

During the six months ended 29 February 2020, the Group received an income of £7,775k (six months ended 28 February 2019: £7,132k) from Nottingham Trent University in respect of services provided by UPP (Clifton) Holdings Limited and UPP (Byron House) Holdings Limited.

During the six months ended 29 February 2020, the Group received an income of £134k (six months ended 28 February 2019: nil) from University of Reading in respect of services provided by UPP (Reading 1) Holdings Limited and incurred costs of £1,756k (six months ended 28 February 2019: £1,639k) in respect of services provided by the University of Reading and received income of £15,219k (six months ended 28 February 2019: £14,705k) in respect of services provided to the University.

During the six months ended 29 February 2020, the Group incurred costs of £124k (six months ended 28 February 2019: £67k) in respect of services provided by the University of London and received income of £8,051k (six months ended 28 February 2019: £5,099k) in respect of services provided by UPP (Cartwright Gardens) Holdings Limited and UPP (Duncan House) Holdings Limited.

During the six months ended 29 February 2020, the Group received income of £5,465k (six months ended 28 February 2019: £2,100k) in respect of services provided to the University of Hull.

20. Investments

The Company owns 100% of the issued share capital in UPP Group Holdings Limited, which itself owns 100% of the issued share capital of UPP Group Limited.

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

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

Entity	Proportion	Shares held Class	Nature of Business
UPP (Alcuin) Limited	100%	Ordinary	Student Accommodation
UPP (Lancaster) Holdings Limited	100%	Ordinary	Student Accommodation
UPP (Broadgate Park) Holdings Limited	100%	Ordinary	Student Accommodation
UPP (Nottingham) Limited	100%	Ordinary	Student Accommodation
UPP (Plymouth Three) Limited	100%	Ordinary	Student Accommodation
UPP (Kent Student Accommodation) Limited	100%	Ordinary	Student Accommodation
UPP (Loughborough Student Accommodation) Holdings Limited	100%	Ordinary	Student Accommodation
UPP Leeds Student Residences Limited	100%	Ordinary	Student Accommodation
UPP Loring Hall Limited	100%	Ordinary	Student Accommodation
UPP (Oxford Brookes) Limited	100%	Ordinary	Student Accommodation
UPP (Reading I) Holdings Limited	80%	Ordinary	Student Accommodation
UPP (Kent Student Accommodation II) Holdings Limited	100%	Ordinary	Student Accommodation
UPP (Clifton) Holdings Limited	80%	Ordinary	Student Accommodation
UPP (Exeter) Limited	100%	Ordinary	Student Accommodation
UPP (Byron House) Holdings Limited	80%	Ordinary	Student Accommodation
UPP (Kent Turing) Holdings Limited	100%	Ordinary	Student Accommodation
UPP (Cartwright Gardens) Holdings Limited	85%	Ordinary	Student Accommodation
UPP (Duncan House) Holdings Limited	85%	Ordinary	Student Accommodation
UPP (Hull) Holdings Limited	90%	Ordinary	Student accommodation
UPP (Swansea) Holdings Limited	100%	Ordinary	Student accommodation
UPP (Exeter 2) Holdings 1 Limited	100%	Ordinary	Student accommodation
UPP (Exeter 2) Holdings 2 Limited	100%	Ordinary	Student accommodation

Investments (continued)

Entity	Proportion	Shares held Class	Nature of Business
UPP (East Park) Holdings 1 Limited	100%	Ordinary	Student accommodation
UPP (East Park) Holdings 2 Limited	100%	Ordinary	Student accommodation
UPP (Swansea 2) Holdings 1 Limited	100%	Ordinary	Student accommodation
UPP (Swansea 2) Holdings 2 Limited	100%	Ordinary	Student accommodation
UPP Bond 1 Issuer plc	100%	Ordinary	Provision of senior secured bond funding
UPP Projects Limited	100%	Ordinary	Partnerships development for the provision of student accommodation
UPP Residential Services Limited	100%	Ordinary	Provision of facility management services
UPP (MidCo) Limited	100%	Ordinary	Holding company

21. Cash and cash equivalents

	29 February 2020	31 August 2018
	£'000	£'000
Cash at bank and in hand	142,474	214,013
Short-term deposits	57,080	17,338
Cash and cash equivalents	199,554	231,351

The cash and cash equivalents disclosed above and in the statement of cash flows include £195,379k as at 29 February 2020 (£180,430k as at 31 August 2019) of restricted cash. This cash is subject to be used only by SPVs in line with the service concession agreements and is therefore not available for general use by the other entities within the Group.



www.upp-ltd.com

All rights reserved. Copyright 2020 UPP Group Holdings Limited