UPP Bond 1 Limited Investor Report

For the year ended 31 August 2020

UPP BOND 1 LIMITED INVESTOR REPORT

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 2020.

The date of this Investor Report is 15 December 2020.

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.

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 2020

Audited financial highlights for the year ended 31 August 2020

£'000	Year ended 31 August 2020	Year ended 31 August 2019	Change %
Turnover	67,471	66,375	1.7%
Gross profit	47,966	47,149	1.7%
EBITDA*	45,204	44,492	1.6%
EBITDA margin*	67.0%	67.0%	0.0%

**EBITDA before sinking fund expenditure*

Business highlights

- Occupancy for 2019/20 of 99.4% (2018/19: 99.2%)
- Turnover up by 1.7%, reflecting RPI-linked annual term rental income increases
- Increase in gross profit of 1.7% and EBITDA of 1.6%
- EBITDA margin in line with prior year
- Historic Annual Debt Service Coverage Ratios comfortably above lock-up triggers
- 2020/21 projected occupancy is 96.7% across the portfolio
- The Plymouth AssetCo continued to report under a Trigger Level 2, Phase 1 Monitoring Event with the subsequent enhanced reporting as required by the Monitoring Services Agreement
- At 68.0% occupancy, the Projected AssetCo DCSR at Kent is 0.63, triggering a Level 2 Phase 1 Monitoring Trigger Event with subsequent enhanced reporting as required by the Monitoring Services Agreement

Elaine Hewitt, Chief Executive Officer

"The results for UPP Bond 1 Holdings Limited for the financial year ended 31 August 2020 continue to underline the attractiveness of UK higher education as a sector full of opportunities for investors seeking stable, long-term returns based on asset-backed, RPI-linked revenues. The unique model of partnership developed by UPP over more than two decades continues to perform well.

The year saw an increase in turnover of 1.7% to £67.5m. EBITDA was also up by 1.6% to £45.2m, with a margin of 67.0%.

Evidence from across the sector – and from UCAS in particular - continues to suggest that, despite the impact of the COVID-19 pandemic and the uncertainties of Brexit, demand from UK and international students remains robust and levels of participation of young people remain at a record high.

Photo credit: Robert Greshoff

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

Longer-term demand also appears encouraging, with the Higher Education Policy Institute identifying that the demographic decline in 18-year-olds, which halted in 2019, will be followed by an increase in the young population of circa 25% to 2035. Depending on rates of participation, this could lead to an increase in demand for an extra 350,000 full-time places. There remains a significant structural shortfall in residential supply in the UK and, therefore, the UPP model remains robust and well positioned to continue to deliver strong operational performance in the future."

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 are passed to the university partner
- 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

Photo credit: Robert Greshoff

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.

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'). During the FY 2019/20 the wider UPP Group has continued to grow the number of beds under operation with existing partners.

In early December 2019 the company reached financial close on a further deal with Swansea University, St Modwen Developments and Swan Global LLP. The transaction, to a value of £43 million, saw UPP acquire of the freehold of 411 rooms at Bay Campus, where UPP will deliver a full facilities management service.

The deal takes the number of rooms operated by UPP on the Bay Campus to 2,432. This latest acquisition includes £38.7 million of index-linked debt financing from Aberdeen Standard Investments (ASI), with a debt tenor of circa 45 years. UPP Group Holdings Limited and its Shareholders will invest £4.7 million of subordinated debt and equity.

Also, in December, UPP won its first private residential contract in a £1m deal to deliver a three-year, full Facilities Management (FM) service to Imperial College London. In what was UPP's first ever private residential contract, the private tender appointment saw UPP Residential Services, UPP's facilitates management business unit, take over the operation of 192 one, two and three-bedroom apartments on the University's White City Campus in Hammersmith and Fulham. The apartments include 59 units for the University's key workers.

In September, the first student residents moved into Eleanor Rosa House in Stratford, London. Forward funded and now operated by UPP, the scheme was constructed by the Watkin Jones Group, one of the UK's leading construction and development companies. The 33-floor scheme adds an additional 511 study bedrooms and associated communal space to the University of London's residential portfolio. The scheme was officially opened by Her Royal Highness The Princess Royal, Chancellor of the University of London, in January 2020.

September also saw the first student residents occupying the final phase of the brand-new Westfield Court residences developed in partnership with the University of Hull. The scheme, which was designed, built, financed and will be operated by UPP, comprises 1,462 rooms in nine-blocks. Funded over a 51-year concession, the project had a total investment value of over £155 million. Successful completion of Westfield Court, which had a total construction value of over £97 million, means that UPP now operates 1,750 rooms across the University of Hull campus, including 288 rooms at the University's Taylor Court residences.

In August 2020, UPP celebrated the successful handover of three new build schemes at long-standing partner the University of Exeter. Construction began on the £41.4 million Spreytonway and Moberly redevelopments in June 2018 providing a further 381 new high-quality rooms, meanwhile, at the close of the FY 2019/20 UPP also delivered the first phase of its £139.7 million deal on the East Park at the same university. This delivered a further 604 high quality bedrooms and represents the first part of what is a 1,182-bedroom development. The development represents the largest build of on-campus accommodation at the University since 2012.

Construction commenced in January 2019, with the first phase of rooms becoming operational in September 2020, with the remaining rooms due to reach practical completion in time for September 2021. On final completion, UPP will operate over 4,000 rooms at the University.

During January of 2020, UPP announced the appointment of Elaine Hewitt as its new Chief Executive Officer succeeding Richard Bienfait who left the business at the end of the same month. A Fellow of the Royal Institute of Chartered Surveyors (RICS), Elaine joined UPP from NHS Property Services Ltd, where she had been Chief Executive Officer since 2015 and was responsible for overseeing a £3bn asset portfolio, some 4,000 properties, 5,000 employees and an annual income of more than £700m.

She was previously Group Property Director at BT Group PLC. As well as having considerable private sector experience, Elaine has held public sector roles, notably Crown Representative in the Cabinet Office for Property and Facilities Management across Government.

As with many other industry sectors, from the end of March 2020 UPP has been dealing with the impact of the COVID-19 pandemic. The UK higher education sector was no exception, with universities ordered to close and many students choosing to return home rather than remain in residence. In February as the severity of the crisis escalated, UPP established an Infectious Diseases Working Group (IDWG), bringing together key personnel to co-ordinate UPP's response across all aspects of our business and provide advice and resources for our teams. UPP worked together with its partners to ensure its accommodation remained available to students still on campus and that it was operating safely and effectively, following the advice from Public Health England as it evolved.

During the period of lock down a large majority of universities made the decision to release students from their accommodation contracts. As a result of the credit and void provisions of the contracts, the Company continued to receive all revenues due to UPP Bond 1 Issuer PLC in respect of the remainder of the academic year.

For the academic year 2020/21 the Company can confirm that the combined total of nominations secured, and Student Residences Agreements in place with students holding Conditional and Unconditional Firm offers, represent 96.7% occupancy across the portfolio. In April 2020, UPP Bond 1 Issuer PLC issued a statement in relation to a senior debt downgrade, noting Standard and Poor's Global Ratings (S&P) decision to revise downwards the current credit rating on the senior secured debt issued by the Company. The ratings on the £307.1 million of senior secured fixed-rate notes due February 28 2040; the £75.0 million of senior secured index-linked notes due August 31 2047; and the £149.7 million of index-linked notes due August 31 2049 have moved to BBB+ from A-. The rating outlook for the notes, issued under the £5.0 billion multicurrency issuance programme, had been revised from stable to negative.

In a Statement in relation to this decision published 24 April 2020, the Company noted that the downgrades took place across many ratings in response to the COVID-19 crisis. It also recognised that there was increased uncertainty with respect to the beginning of the Academic Year 2020/21, reflecting uncertainty over the timing of the relaxation of social distancing and international travel restrictions.

However, the Company said that it believed that the decision to revise S&P's base case, and downgrade the credit rating as a result, reflected an unduly conservative view of short-term risk and that it saw no basis for negative revisions to long-term assumptions.

In terms of the short-term risk to occupancy, the Company's view that a combination of mitigating activity undertaken by Government and the sector; the capacity of universities to refocus their recruitment; and the credit positive elements of the Company's business model, had the capacity to significantly ameliorate risks to occupancy has been borne out.

With respect to the reduction of the long-term base-case occupancy assumption for the assets, the Company said it was of the view that this was not supported by the projected market outlook. This view is based on considerations including the fact that the UPP Bond 1 portfolio has achieved in excess of 99.0% occupancy each year since its inception, with an average of 99.7% over the last six years. This is in excess of S&P's previous base case assumption of 98.0% and contrasts with the decision to assume 96.0% occupancy moving forward.

During August 2020, Moody's Investors Service held a Ratings Committee following a review of UPP Bond 1 Issuer PLC. Having held the rating at "Baa1 under review for downgrade" since an initial ratings committee in May 2020, the rating was reaffirmed as Baa1, stable outlook. This reaffirmation reflected the strength of the contractual arrangements between the partners with Term Three rent payments being paid in full; progress made on the 2020/21 lettings position; and; that the Projected Debt Service Cover Ratio based on lettings at the time would be in excess of 1.20x (and passes the distribution lock-up test of 1.15x).

In summary, the Company's position remains unchanged; that its business model is robust and that it is well positioned to continue to deliver strong operational performance from a portfolio of assets that are central to the operations of its university partners.

In October 2020 UPP REIT Holdings Limited, the Parent Company of UPP Group Holdings Limited, announced that Craig Bryant, Group Legal Director and Mike Eady, Group Health, Safety and Environment Director, had left UPP with immediate effect as part of a restructure of the Company's Executive Leadership Team. It confirmed that the responsibilities of the Group Legal Director and Group Health, Safety and Environment Director will be assumed by the Chief Financial Officer, Managing Director UPP Management and Managing Director UPP Projects as part of a streamlined Executive Leadership Team.

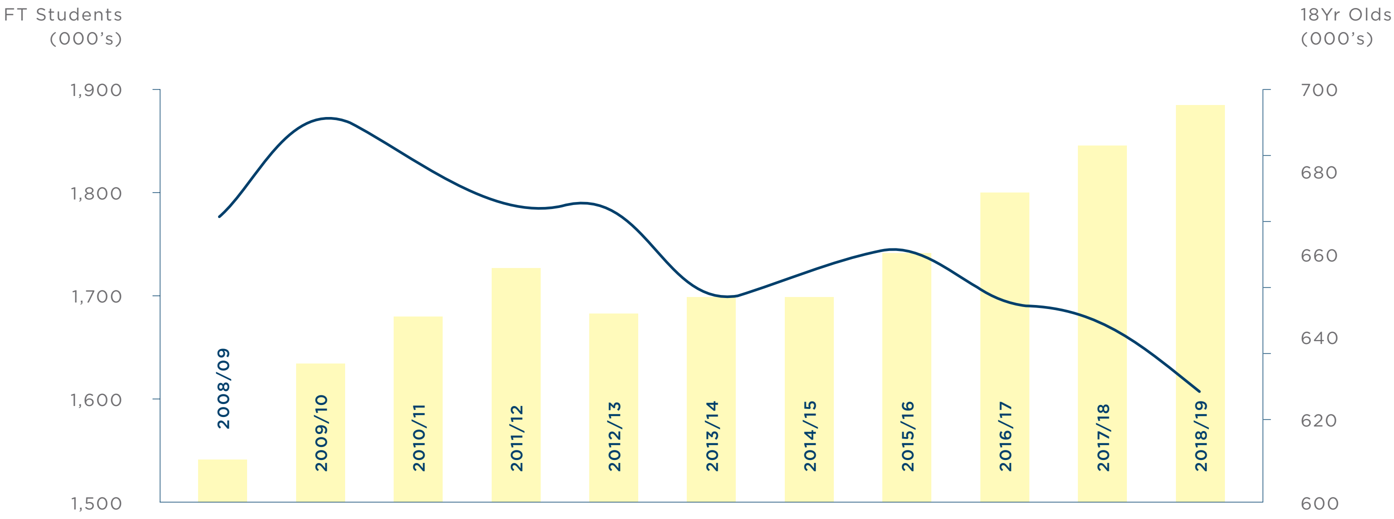
Photo credit: Robert Greshoff

2.2 General Overview

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

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

Figure 2.21 UK full-time HE enrolment (y-axis) relative to the number of 18-year-olds in England (z-axis) 2008-2018



HESA (Headcount)/ONS

One of the many impacts of the COVID-19 pandemic was the disruption of annual exam cycles. The Government took the decision during the latter part of August 2020 to revert to centre assessment grades, as the method for agreeing results. This led to a very busy and volatile annual Clearing process and had the effect of incentivising more students to apply directly through this route.

Subsequently, on the basis of UCAS sector level clearing updates following Clearing, data suggested that there had been an increase in placed applicants overall of 4% to 508,090 to date in comparison to last year at the same stage of the cycle.

Institutions classified as high tariff have seen placed applicant numbers increase by 11% to 169,570, with medium tariff universities growing by 1%. The number of placed applicants at lower tariff institutions remained at the same level. There was an increase in both UK and non-EU placed applicants of 4% and 7% respectively in comparison to last year at this stage, whilst there was a 5% decrease in those from EU countries.

Those placed to their firm choice institution were also up by 5% to 397,990 and represent approximately two-thirds of those placed. The increase in those being placed in their firm choice impacts other routes such as insurance placings and clearing, as less students require a second option at that stage. Insurance placings were down 24%. Placed applicants seeking to defer were up by 8% to 27,630, however, this represents only 2,000 students. The composition of this group has been driven by an increase in UK applicants of 5% and an increase in international students of 89% year on year.

Figure 2.21 - Applicants for all courses by domicile group (15 January 2020 deadline)

App. Domicile	2016/17	2017/18	2018/19	2019/20	2020/21
England	459,430	437,860	421,610	418,940	427,290
Northern Ireland	21,100	20,290	19,310	18,520	18,150
Scotland	49,470	48,940	48,710	47,110	47,250
Wales	23,740	22,530	21,830	21,470	21,330
UK	553,740	529,620	511,460	506,040	514,020
EU (excluding UK)	51,850	49,250	50,130	50,650	49,650
Non-EU	69,300	70,830	75,380	81,340	89,130
TOTAL	674,890	649,700	636,970	638,030	652,790

With the deadline for Brexit extended until 31 January 2020 the exit of the United Kingdom from the European Union (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 per cent. Notwithstanding, the Board remain cognisant of the attendant risks relating to this process and will continue to actively manage these should they arise.

Early indications of demand for the academic term 2021/22 appear encouraging and to support this analysis. The first comparable data point for the coming academic year, namely the 15 October deadline, identifies an overall increase of 12% in undergraduate applicants seeking to study at Oxford, Cambridge or medicine, dentistry or veterinary courses. In terms of domicile, applicant numbers from the UK increase by 14%, the equivalent of more than 6,500 extra students year on year, whereas EU applicant numbers fell by 19% or 1,260 students. In terms of academic demand, however, this fall was more than compensated for by an increase in international students. Applicant numbers rose by 20% or circa 3,000 students to a total of 17,510 by the 15 October deadline.

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

Photo credit: Robert Greshoff

Financial highlights

For the year ended 31 August 2020

Photo credit: Robert Greshoff

FINANCIAL HIGHLIGHTS

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

- Occupancy for 2020 at 99.4% (2019: 99.2%)
- Turnover increased to £67.5m which is a 1.7% underlying increase on 2019
- EBITDA before sinking fund of £45.2m (2019: £44.5m)
- Cash balance of £41.2m, made up largely of liquidity reserve accounts and short-term working capital requirements
- Payments to subordinated debt loan notes of £11.8m (2019: £7.4m)

For the year ended 31 August 2020, the UPP Bond portfolio had a historic annual debt service coverage ratio ('ADSCR') for the period of 1.37, 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, which were lower in the year due to reduced occupancy because of the Covid-19 pandemic from April onwards. With occupancy secured at 99.4%, performance for the year was again strong, with a subordinated debt loan notes distribution of £11.8m made on 31 August 2020.

The subordinated debt loan notes distribution increased year on year primarily due to the Company's decision to transfer an exceptional £2.9m to the Maintenance Reserve Account of UPP (Plymouth Three) Limited in 2019, which reduced the subordinated debt loan note payment within that year.

The Group made a loss before tax for the year of £3.9m (2019: £13.6m). Of this loss, £18.5m (2019: £16.5m) is attributable to interest on subordinated debt, of which £11.8m (2019: £7.42m) was paid at the end of the 2019/20 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 2020.

3.1 AssetCo consolidated profit and loss account for year ended 31 August 2020

	Year ended 31 August 2020	Year ended 31 August 2019	Change %
	£'000	£'000	
Turnover	67,471	66,376	1.7%
Cost of sales	(19,505)	(19,226)	(1.5%)
Gross profit	47,966	47,149	1.7%
Gross profit margin	71.1%	71.0%	
Overheads	(2,762)	(2,657)	(4.0%)
EBITDA before sinking fund expenditure	45,204	44,492	1.6%
EBITDA margin	67.0%	67.0%	
Sinking fund expenditure	(3,783)	(6,994)	45.9%
EBITDA	41,421	37,498	10.5%

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 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 2020, occupancy was 99.4% (2019: 99.2%). The growth in turnover was 1.7% (2019: 3.2%) which was driven by RPI-linked rental income and increases achieved above RPI. Apart from UPP (Oxford Brookes) Limited, rents for all the AssetCos were set 12 months prior to the start of the academic year when RPI was 3.34%. Rental increases have been offset against a reduction in vacation and commercial income of £0.7m as a result of lockdown from late March 2020.

Cost of sales, which is made up of facilities management ('FM') costs, employee costs and utilities, increased by 1.5% (2019: 1.3% increase) during the year. This increase in costs is due to contractual increases in FM and employee costs primarily linked to RPI as at September 2018. This increase is partially offset against a reduction in vacation services costs, and savings on utility costs.

Overheads increased by 4.0% (2019: increase of 11.1%) due to an increase in approved variations in the year and inflationary increased on contracted costs. Inflationary impacted costs include management charges, professional fees, marketing fees and audit fees. Cost variations totaled £0.3m in the year which included £0.1m of monitoring costs at Exeter for the ongoing remediation works.

The EBITDA margin before sinking fund expenditure is 67.0% (2019: 67.0%).

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 2020, the year on year decrease in spend is largely due to the additional investment at UPP (Plymouth Three) Limited in 2019.

Details of the ratio calculations and comments on each AssetCo are included in Appendix 1. In a change to previous Investor reports, the Profit and Loss and Balance Sheet of each AssetCo have not been included in this document as they are published separately.

3.2 Forecast financial highlights for the year ended 31 August 2021 for the seven AssetCos

Occupancy for the year currently 96.7% across the AssetCos

- Rental income is projected to decrease by 0.7% due to lower occupancy when compared to the previous year
- Projected ADSCR ratio of 1.30 compared to lock-up ratio of 1.15

AssetCo occupancy is at 96.7% for the 2020/21 academic year for the seven AssetCos, resulting in expected rental income, net of contractual university fees, of circa £67.5m. This represents underlying rental increase of 2.6% on 2019/20, however this is offset against lower occupancy resulting in a decrease in rental income of 0.7%

Forecast occupancy at the Kent AssetCo is 68% due to a fall in post graduate numbers at the University of Kent due to the Covid-19 pandemic which results in a Projected AssetCo DSCR is 0.63. The lingering uncertainty over international students' ability to travel to the UK represented a significant disruption late in the sale cycle. While some of the rooms were sold to undergraduate for the 2020/21 academic year, it was not possible to fully mitigate the reduction in post-graduate numbers in the time available. The ratio resulting from this occupancy represents a Trigger Event Level 2, Phase 1 Monitoring Event which means, as required by the Monitoring Services Agreement, the AssetCo is developing a remedial plan in full consultation with the Monitoring Advisor.

For the 2021/22 academic year the contractual provisions allow a test to assess the likely postgraduate demand on a look back and look forward basis. At a particular threshold this will allow additional rooms to be made available to undergraduates to de-risk demand.

On 18 August 2020, a Monitoring Adviser Recommendation was issued in relation to UPP (Nottingham) Limited and Nottingham Trent University.

The Recommendation related to a Monitoring Adviser Proposal Request (dated 14 August 2020) seeking written consent from the Issuer Security Trustee for the AssetCo to:

(i) Provide consent to the University to allow it to enter into Relevant Arrangements in relation to academic years 2020/21 and 2021/22;

(ii) Waive a potential breach of the Primary Agreement and the Direct Agreement by the University and a further consequential breach by the AssetCo arising from the same, under UNIVERSITY PARTNERSHIPS PROGRAMME 3 paragraphs 15 and 18 of Part 3 of Schedule 11 of the CTA, in relation to academic year 2019/20; and

(i) Enter into a Triparty Agreement in respect of the apportionment of the underwrite in relation to academic years 2020/21 and 2021/22.

As noted in the Consent Request, based on the most recent projections and the nature of the Triparty Agreement relating to the underwrite, we expect that the AssetCo accommodation will achieve 100% occupancy during the 2020/21 and 2021/22 academic years. The Company believes that the University will be in a position to demonstrate satisfaction of the relevant tests in future and is working with the University to ensure adherence to the terms of the Primary FM Agreement. The Company is also working with the University to ensure it receives the information required to monitor the University's compliance with the various Primary Agreement tests.

The Directors are reviewing opportunities for additional equity investment in the AssetCos to further enhance the accommodation offering. Should these plans be developed further the Directors will engage with the Monitoring Adviser as appropriate.

The Projected Senior ADSCR as at 31 August 2021 is 1.30.

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 2020, 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, £3.8m (2019: £7.0m) was invested by the AssetCos to maintain the quality of the accommodation.

During 2019 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 being spent up to the financial year ending August 2021.

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 ongoing and due to complete during 2020/21.

During August 2020, intrusive survey works identified defects in the cladding on the Francis Drake hall of residence at the UPP (Plymouth Three) Limited AssetCo. Temporary remedial works were completed prior to students arriving to ensure that the building was safe for occupation. The Company is assessing the appropriate permanent remedial works with a view to completing those works during summer 2021.

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 2020 are:

4.3 Historic AssetCo DSCR

UPP (Alcuin) Limited	1.36
UPP (Broadgate Park) Holdings Limited	1.44
UPP (Kent Student Accommodation) Limited	1.49
UPP (Nottingham) Limited	1.34
UPP (Oxford Brookes) Limited	1.36
UPP (Plymouth Three) Limited	1.27
UPP (Exeter) Limited	1.42

4.4 Projected AssetCo DSCR

UPP (Alcuin) Limited	1.34
UPP (Broadgate Park) Holdings Limited	1.21
UPP (Kent Student Accommodation) Limited	0.63
UPP (Nottingham) Limited	1.38
UPP (Oxford Brookes) Limited	1.37
UPP (Plymouth Three) Limited	1.27
UPP (Exeter) Limited	1.44

4.3 Historic senior DSCR	**1.37**
4.4 Projected senior DSCR	**1.30**

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 Projected AssetCo DSCR ratio for UPP (Kent Student Accommodation) Limited did not reach the required ratio of 1.15:1, therefore activating a Trigger Level 2, Phase 1, Monitoring Trigger Event. A remedial plan is being 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 2020 the Group has recognised derivatives at fair value Derivatives are recognised as assets when the fair value is positive and as liabilities when the fair value is negative. In estimating the fair value of the RPI swaps, the Group incorporates credit valuation adjustments to appropriately reflect both its own non-performance risk and the respective counterparty's non-performance risk in the fair value measurements, which are subjective in nature and require significant judgement. In adjusting the fair value of its derivative contracts for the effect of non-performance risk, the Group has considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts, and guarantees.

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 £11.8m (2019: £7.4m) was distributed to UPP Group Limited on 31 August 2020.

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 as notified through this investor report and associated compliance certificate in respect of UPP (Kent Student Accommodation) Limited;

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

Signed for and on behalf of UPP Bond 1 Issuer Plc

Henry Gervaise-Jones
Director
14 December 2020

Monitoring Adviser Addendum

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

Photo credit: Robert Greshoff

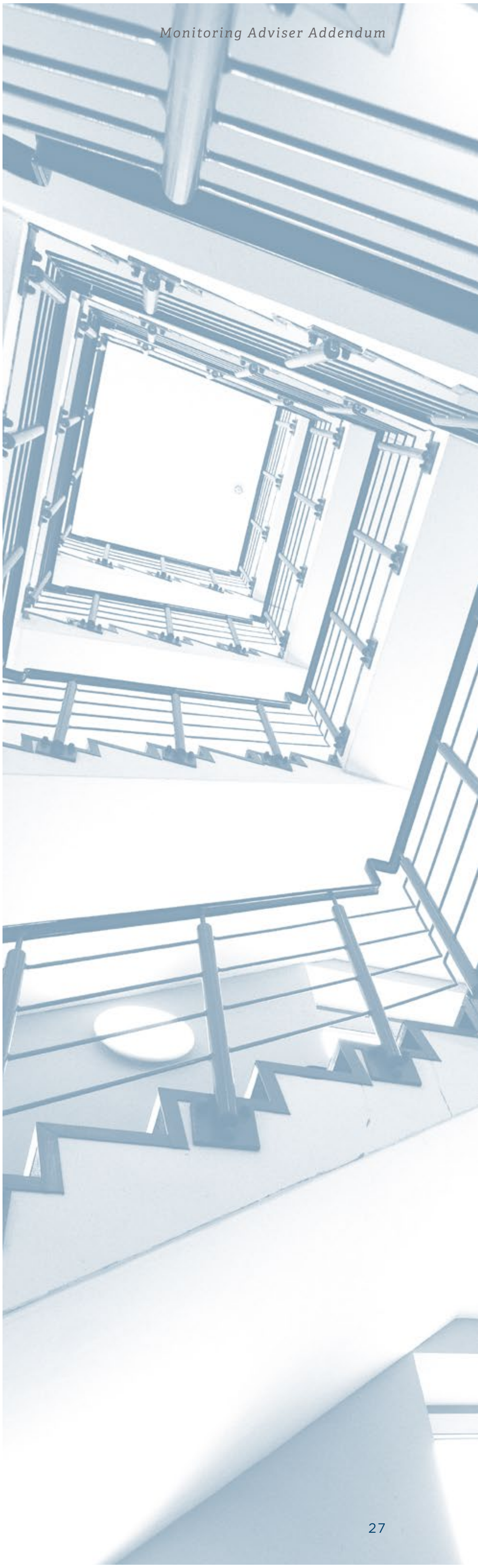
A. Background

UPP Bond 1 Issuer PLC (the 'Issuer') has prepared its Annual Investor Report for the year ended 31 August 2020 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 2019 through 31 August 2020 unless otherwise stated herein.

All defined terms in this MA Addendum are with reference to (i) defined terms in the Issuer Transaction Documents; (ii) defined terms within relevant (to that defined term) MA Proposal Requests; and (iii) as defined 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;
- £75m 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 99.4% for the 2019/20 academic year.

EBITDA, before sinking fund payments, was £45.2m on turnover of £67.5m.

Monitoring has been conducted under stress conditions relative to UPP (Plymouth Three) Limited ('Plymouth AssetCo') since 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. Following such an event, there are certain actions required from ParentCo and the relevant AssetCo. This is discussed in Section E of this MA Addendum.

Normal condition monitoring was conducted through the year relative to all other matters arising.

The Covid-19 pandemic has presented several challenges to the UK student accommodation sector. We have remained in regular (at least bi-weekly) communication with UPP's senior management since March 2020 to discuss the implications for each AssetCo and the Issuer. Topics discussed have included:

- Health and safety arrangements for students and staff;
- Payment of rent for summer term 2020;
- Occupancy and liquidity projections for the 2020/2021 academic year; and
- Management of summer 2020 sinking fund works.

UPP's response to the Covid-19 pandemic is discussed in the relevant sections below.

One Distribution of approximately £13.5m was announced in relation to the last academic year and this was reported to have been paid on 31 August 2020. A Compliance Certificate dated 28 August 2020 was received in respect of this Distribution. We understand from UPP that only £11,847,385 was actually paid with the balance contemplated to be paid at a future date.

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

During September and October 2020, we visited the Exeter Property and the Plymouth Property at the University of Exeter and the University of Plymouth respectively. The Site Visits are summarised in Section D of this MA Addendum. Both Site Visits focused on the remediation activities focused on (i) the façade and pod remediation works at the Exeter Property and (ii) improving occupancy at the Robbins Hall and Gilwell Hall residences, forming part of the Plymouth Property. Our regular, 5-yearly, Site Visits to UPP's relevant properties at the University of Nottingham and Nottingham Trent University ("NTU") were both postponed due to the ongoing Covid-19 pandemic; these visits are currently re-scheduled for January 2021.

We noted certain management changes during the year; these included the appointment of Elaine Hewitt as Chief Executive Officer in January 2020.

The Issuer provided three Compliance Certificates during the twelve months ended 31 August 2020:

- Compliance Certificate dated 16 December 2019 in relation to Audited Financial Statements for the year ended 31 August 2019;
- Compliance Certificate dated 28 April 2020 in relation to unaudited semi-annual Financial Statements for the first half of the financial year ending 31 August 2020 (i.e., for the six months ending 29 February 2020); and
- Compliance Certificate dated 28 August 2020 in relation to a Distribution reported by the Issuer to have been made on 31 August 2020 (the 'August 2020 Compliance Certificate').

When submitting its August 2020 Compliance Certificate, UPP provided to the Issuer Security Trustee a 'downside occupancy scenario' incorporating projected ratios under each referenced downside scenarios. Under these downside scenarios, the Issuer forecast that the Projected Senior DSCR would remain above 1.15:1 for the relevant Test Period. We note that each AssetCo is reported, in the draft Investor Report, to have exceeded or met the management projected occupancy levels at all AssetCos except at the UPP (Kent Student Accommodation) Ltd ("Kent AssetCo") where occupancy achieved is reported to be below the downside projection.

C. MA Proposal Requests received

The Monitoring Adviser considered two MA Proposal Requests during the year to 31 August 2020:

1. Change of Auditor.

On 23 June 2020, the Issuer sought consent related to changing the Auditors of all AssetCos from Grant Thornton to KPMG. KPMG met all requirements stipulated under the Finance Documents in relation to the appointment.

Bishopsfield confirmed the voting categorisation of the MA Proposal Request as an MA Direction Matter and made a conditional MA Recommendation that the Issuer Security Trustee approves the MA Proposal Request on behalf of the ISC. The condition (relative to a consistent consent for the appointment of KPMG related to UPP Group companies receiving a consistent approval from relevant parties) has been reported as being met.

2. NTU Underwriting.

On 14 August 2020, ParentCo sought consent for the Issuer to (i) approve UPP (Nottingham) Limited ("NTU AssetCo") entering into an agreement with NTU allowing NTU to enter into certain Relevant Arrangements (as defined in the MA Proposal Request), (ii) waive a potential breach of the relevant Direct and Primary Agreements by NTU and a further consequential breach by NTU AssetCo under the Common Terms Agreement ('CTA') dated 5 March 2013, and (iii) consent to NTU AssetCo entering into a Triparty Agreement with two other UPP-owned companies.

In consideration of NTU AssetCo granting consent, NTU agreed to underwrite the revenue on any voids the UPP group suffers in its 4,406 rooms across three student accommodation special purpose vehicles ('SPVs') (of which NTU AssetCo is one) up to a limit of the number of rooms subject to a Relevant Arrangement in the relevant year. Under the mechanism, NTU will underwrite 1,800 rooms across the three SPVs in any year. The 1,800 rooms underwritten will be 'allocated' according to the %age of voids suffered by each SPV. The Triparty Agreement documents the arrangement between the three UPP SPVs.

Bishopsfield confirmed the voting categorisation of the MA Proposal Request as an MA Direction Matter and made a conditional MA Recommendation that the Issuer Security Trustee approves the MA Proposal Request on behalf of the ISC.

No reliance has been reported to us, to date, upon the underwriting arrangement and we note that we still await receipt of copies of the relevant documents stipulated in the MA Recommendation (noting that we have been advised by UPP management that one of the documents related to the consent – the triparty agreement - is expected to be signed imminently by the relevant parties and the other document with NTU is reported to have been signed).

D. Monitoring under Normal Conditions[1]:

1. REGULAR UPDATES

1.1. Management Meetings

In addition to the 11 November 2019 Management Meeting discussed in our previous MA Addendum, and the regular communications and meetings that have occurred throughout the period, two further Management Meetings have been conducted:

Bishopsfield met with Management on 27 May 2020. Discussions primarily focused on:

- Payment receipts in respect of term three rents; management commented that some universities held making payments until towards the end of the relevant permitted period for making such payments to the relevant AssetCo. Management noted that some payments were received after the stipulated contract date but within permitted grace periods.
- Cost management through the Covid-19 pandemic; management commented that significant savings have been generated relative to the Operating Budget related to utility costs (driven by reduced utilization), lower observed inflation and postponement of some exceptional spending contemplated at Broadgate Park. We have highlighted to management that, should the contemplated spending proceed, this may give rise to an MA Proposal Request requirement.
- Management commented that Sinking Fund activities remained on programme with supply chains being management pro-actively and appropriate health and safety protocols being implemented to promote student, site and staff safety.
- Demand for 2020/2021 academic year:
  - Management commented that demand across all AssetCos was strong (when benchmarked against at a similar date in the admissions calendar for the prior year).
  - Key short-term risks identified relative to the admissions process given Covid-19: (i) student deferral and (ii) lockdown requirements for returning international students. Management commented on being in close communications with relevant partner universities with a view to mitigating such risks.
  - Potential impact of any fall-off in international student demand that may be driven by changing international student quotas, concerns over travel as a result of Covid-19 and Brexit. Management commented that they are working closely with partner universities to manage such risks.
  - Cashflow implications of late arriving students and rent discounts.
- Student management during Covid-19 pandemic. Management commented that UPP is working closely with relevant universities to manage intakes, 'bubbling' of student groups, quarantine arrangements, and other practical solutions to support residents.
- Rating agency reviews; management commented that S&P Global Ratings had downgraded the Issuer to BBB+ (Negative Outlook) due to the potential impact of the Covid-19 pandemic on occupancy. Management further commented that Moody's Investor Service ('Moody's') had (22 May 2020) commenced a review of the Issuer's Baa1 ratings; we note that Moody's, on 4 September 2020, changed the outlook

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

from ratings under review to stable reflecting (i) receipt of term three rents and (ii) the securing of approximately 94% occupancy for 2020/21.

- Existing and anticipated MA Proposal Requests (see Section C above for additional details of certain MA Proposal Requests):
  - Exeter Property remediation activities related to facades and pods; management commented that works continue relative to the facades remains broadly on time and on budget, noting that all pod-related work is complete.
  - Plymouth Property exceptional works; management commented that works planned for summer 2020 remain as programmed.

Bishopsfield met with Management on 15 November 2020. Discussions focused on:

- The competitive landscape for student accommodation; management commented:
  - On the uncertainty created by the Covid-19 pandemic, highlighting that there had been many positive implications for the portfolio – especially as it relates to demand from domestic students.
  - That initial indicators of demand for 2021/22 accommodation were positive, referencing observed registrations for Oxbridge, medical and vet schools.
  - That demand from EU applicants was materially lower, offset by applications from other non-UK and non-EU countries.
- Demand for the AssetCo properties for the 2021/22 academic year; management commented:
  - That they are engaging with partner universities to understand demand dynamics and anticipate initial visibility on or around 31 March 2021.
  - On marketing initiatives being developed to encourage 'returners' (i.e., second / third year students) and attract first year registrations.
  - On continuing engagement regarding the focus of the Sinking Fund Works Programme for each AssetCo.
  - The expectation from partner universities that demand for summer vacation accommodation rentals would return for summer 2021.
- Management discussed that the Sinking Fund Works Programme was expected to be implemented as planned and budgeted through summer 2021. Management are discussing and considering additional strategic investments in the various AssetCo properties; these will be introduced to us if they are to progress, they anticipate, early during 2021.
- We discussed the status of remedial works at the Exeter Property and the Plymouth Property:
  - Exeter Property remediation activities; management commented in the near completion of the latent defect remediations and the anticipation that said works would be complete during December 2020.

    Management also commented on certain additional defects identified in the Exeter Property that are presently being investigated; this would be discussed with relevant parties, including Bishopsfield and the University of Exeter in due course.
  - Plymouth Property exceptional works; management commented that the 2019/20 Works (as defined in the MA Proposal Request dated 1 August 2019) had been completed and that the 2020/21 Works remain scheduled for summer 2021.

    Management commented on certain defects (related to fire risk and cladding) identified at Francis Drake Hall (one of six halls that comprise the Plymouth Property), confirming that initial investigations had been completed, the building made safe, and that students were now occupying impacted rooms again. Discussions are ongoing regarding undertaking and funding necessary longer-term remedial work during summer 2021.

Photo credit: Robert Greshoff

- We further discussed the status of various historic MA Proposal Requests; management commented that there had been no reliance on the NTU Underwriting to date and that the change of Auditors had been implemented.

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 Site Visits and regular reporting on the Exeter Property remediations and Plymouth Property exceptional works being conducted 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 Exeter Property during September 2020 as part of its regular monitoring of certain pod and façade related remediations.

BCP continues to receive monthly reports providing updates on progress of the remediation works; we note that pod-related work was completed about twelve months ago, 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, with some £2.5 million liability outstanding (as reported by UPP) as at 30 September 2020.

As reported last year, we were made aware during November 2019 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 were also made aware during our Site Visit of certain other defects identified at Duryard Hall (one of the Exeter Properties). Management reported that, following identification of the defect during summer 2020, a short-term solution was identified and implemented to ensure that all accommodation was made available for occupation in a timely manner. We continue to await an update from management on the longer-term remediation proposals and will discuss, as appropriate, with management whether ISC will benefit from some technical advice to enable full consideration of any risk arising.

1.3.2. University of Plymouth

Bishopsfield conducted a Site Visit to UPP's accommodation at the University of Plymouth during early October 2020. 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 view some preliminary investigation work being undertaken at the AssetCo's Francis Drake Property relative to some potential defects identified.

We visited the Plymouth Properties, including Robbins and Gilwell halls, accompanied by a representative from WSP (who had been engaged by BCP to review the adequacy of the relevant Sinking Fund). We observed some of the enhancements to the exterior fabric of some of the buildings but were unable to enter the buildings due to Covid-19 restrictions. WSP and ourselves were able to observe progress since our prior visits; WSP confirmed that the remediation works appear to be being undertaken in a satisfactory manner.

We await an update from management on the longer-term remediation proposals related to Francs Drake hall and will discuss, as appropriate, with management whether the ISC will benefit from some technical advice to enable full consideration of any risk arising.

We also held a call with the Head of Facilities and Student Accommodation at the University of Plymouth who was able to provide us with commentary relative the commitment demonstrated by UPP through its investments in, in particular, Robbins and Gilwell halls, whilst commenting on the competitive challenges faced by most of the Plymouth Properties – something also commented upon by WSP in its report, prepared as part of the AssetCo remedial Plan (see Section D below). In particular, she highlighted that pricing of the UPP halls has been observed to be expensive relative to neighbouring properties from other vendors and also commented on the importance to the University of UPP addressing the issues identified at Francis Drake in a timely manner.

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 August 2020 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 2020 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. These relate to potential works at Broadgate Park related to the Courtyard building facilities and exceptional balcony works that address health and safety concerns at the Alcuin Property and the Plymouth Property; management have advised that Broadgate Park costs will likely give rise to an MA Proposal Request in due course.

UPP, subsequent to finalizing the Operating Budgets, reduced the operating budget for replacing obsolete building management systems at Plymouth; the cost will now, we are advised, be partially covered from the sinking funds.

The Sinking Fund budgets for the period are broadly in line with modelled assumptions. As part of our review, we tested the financial covenant ratios at the AssetCo and consolidated level, noting that the resultant Projected AssetCo DSCRs for Kent, Plymouth and Broadgate Park were observed to be between 1.15x and 1.20x.

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 2020 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 2020.

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 April 2020, using a Test Date of 29 February 2020 for calculations of the Sinking Fund Required Amounts, we can confirm that all Sinking Fund Reserve Accounts had excess funds available as at 29 February 2020 relative to the Sinking Fund Required Amounts.

The Monitoring Adviser has reviewed the projected expenditure identified by URSL and believe 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 the University of Plymouth.

[2] Draft received 13 November 2020

As part of the Monitoring under Stress Conditions undertaken in relation to the Plymouth AssetCo, a Lifecycle Report was commissioned from WSP relative to the Plymouth Property with reliance afforded to the ISC (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 the MA 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.

The Plymouth Lifecycle Report was delivered in final form on 18 June 2020, over five months after the date stipulated as a requirement of the ISC consent to the ParentCo's MA Proposal Request dated 1 August 2019. We note that WSP's observations relative to Robbins and Gilwell halls were delivered during February 2020 and that the Plymouth Lifecycle Report covering the remaining four halls was delivered in final draft form during April 2020. We repeatedly voiced our concerns to UPP management concerning the delayed report delivery and have regularly noted to them the importance of adhering to the formal requirements of the Finance Documents. To inform its analysis and commentary, WSP visited the properties during late 2019 and early 2020, after the 2018/19 Works had been undertaken.

UPP has developed an action plan to address the items identified by WSP, prioritising the items to address any health & safety matters arising as well as aligning work with other planned lifecycle and maintenance works.

The Plymouth Lifecycle Report commented extensively on the Sinking Fund adequacy based upon the aforementioned terms of reference. In summary, a cumulative underspend of some 11% is forecast across all six halls that comprise the Plymouth Property, with the largest underspend observations at Robbins and Gillwell. WSP concluded in its report that "the Sinking Fund allowances for the upcoming 5 years are adequate, and that the forecast balance comfortably exceeds the forecast expenditure".

During October 2020, we visited the Plymouth Property, accompanied by a WSP representative, to observe progress since WSP's prior site visit. We were not permitted to visit the interiors of the halls due to Covid-19 restrictions. We were reassured that many of the urgent matters identified by WSP have been addressed and also that the halls were, in many respects, visually enhanced, which should assist with marketing.

D. Monitoring under Stress Conditions:

In accordance to Paragraph 1.4 of Part 1 of Schedule 10 of the CTA, a Trigger Level 2, Phase1 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.

1. UPP (Plymouth Three) Limited

Monitoring under Stress Conditions continued throughout the year in relation to UPP (Plymouth Three) Limited ('Plymouth AssetCo') as prompted following the Compliance Certificate dated 30 August 2019:

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

[3] As defined in Schedule 1, Part 2 of the MSA
[4] ADSCR = Plymouth AssetCo DSCR

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 five quarterly reports from ParentCo providing an update on implementation; in response, BCP has submitted five quarterly review reports. the following table summarises progress against each of ParentCo's Performance Objectives:

Ref	Performance Objective Description	Status	MA Comment
1.0	Occupancy to achieve 95% during the 2019/20 academic year	98.7% reported to have been achieved	Under-occupancy reported to represent 22 void rooms
1.1	Continuing student campaign	Booking Portal Open	Returner campaign was launched on 2 February 2020, with booking portal opened on 15 February 2020. UPP reports that 51 (24 and 46 as at 29 February 2020 and 31 May respectively) contracts were signed for 2020/21 academic year under this initiative.
1.2	Occupancy to achieve 99% during the 2020/21 academic year	99.6% projected to be achieved	UPP projects achieving 99.6% occupancy despite some rooms being made unavailable due to a cladding issue at Francis Drake hall
1.3	Occupancy to achieve 99% during the 2021/22 academic year	Not started	Data available Autumn 2021; forecast data anticipated early summer 2021
2.0	Completion of the 2018/19 Works to budget and on time	Reported as complete on budget and on time	UPP report that students moved into halls on 14/15 September 2019
2.1	Confirm 2019/20 Works programme	Works programme agreed	UPP confirmed that all works would proceed despite C-19
2.2	Completion of the 2019/20 Works to budget and on time	Works are ahead of original plan; certain works deferred to summer 2021	Works were completed in a timely manner, whilst noting that certain items were deferred due to either Covid-19 related access restrictions or delivery of faulty materials. Overall, the works are ahead of the original plan by, in aggregate, about £90k
2.3	Confirm 2020/21 Works programme	Not started	Being defined. WSP has not raised additional material items for inclusion in the works schedule
2.4	Completion of the 2020/21 Works to budget and on time	Not started	Completion will be reviewed via monthly reports and a site visit
3.0	Student feedback on the 2018/19 Works	Focus group arranged	Feedback suggests internal environment exceeds expectations generated through student-facing websites; negative comments appear to focus on kitchens, especially at Robbins
4.0	Commission Lifecycle Report	WSP Report delivered	WSP has presented its findings in final form during June 2020
4.1	Review report and agree programme of works and budget	Report presented in final form on 21 April 2020	Report made several recommendations; these are being discussed or have been implemented.
4.2	Refine Remedial Plan to incorporate Lifecycle Report recommendations	'Gaps' report awaited to inform any refinement	'Gaps' report being updated noting deferred works from summer 2020

In summary, we observe:

- The initial investment undertaken in the form of the 2018/19 Works (undertaken during summer 2019) had a positive initial impact on occupancy that, in turn, has positively impacted on the Historic ADSCR observed in relation to the Plymouth AssetCo.
- The Projected ADSCR shows some improvement due to robust demand returning for rooms in all six halls for September 2020 admissions. The observed ratios as at 31 August 2020 (sourced from the Compliance Certificate submitted in the draft Annual Investor Report) are:

Historic ADSCR	Projected Occupancy (2020/21)	Projected ADSCR
1.27x	99%	1.27x

We continue to track occupancy closely, as well as any rent discounts and reduced rental agreement terms being offered to assist our understanding of information reported to us and the potential impact on the cash flows available to meet debt service. As highlighted in the above table, UPP management currently estimate that occupancy for the current academic year at the Plymouth AssetCo is forecast to reach in excess of 99% with the Projected ADSCR forecast to match the prior year performance.

Whilst the Covid-19 pandemic continues to create some uncertainty regarding ultimate cash flows that may be realised during the financial year and relative to occupancy for the 2021/22 academic year, we noted that the Covid-19 pandemic had a relatively minor impact on completion of planned 2019/20 Works. There also remains uncertainty over whether any ancillary revenues, including vacation rent, will be forthcoming next summer.

We have noted elsewhere within this MA Addendum that we have engaged with representatives from the University of Plymouth.

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 returning to Monitoring under Normal Conditions in respect of the Plymouth AssetCo once compliance has been demonstrated on 28 February 2021 Test Date.

2. UPP (Kent Student Accommodation) Limited

Management has identified to us that the Kent AssetCo accommodation is likely to be materially under-occupied through the 2020/21 academic year. We were advised that this may result in a Trigger Level 2, Phase 1 Monitoring Trigger Event occurring should occupancy not grow to the target level prior to publication of the next Compliance Certificate in December 2020.

The Projected ADSCR for Kent AssetCo reported in this Investor Report does result in such a Monitoring Trigger Event and we will be discussing the events that have given rise to this, and the remedial plan proposed, with UPP management over the coming weeks.

The Monitoring Adviser has prepared this MA Addendum based upon information received by the Monitoring Adviser. This MA Addendum has not been prepared on the basis of any information that has been identified as inside information. The Monitoring Adviser has no responsibility for the adequacy or accuracy of any of the information or documentation provided to it in connection with the Monitoring Adviser Services and may act on the opinion or advice of, or a certificate or any information from, advisers or experts. In preparing this MA Addendum, the Monitoring Adviser has performed only those services it is obliged to carry out in accordance with the Monitoring Services Agreement and has done so in accordance with the Monitoring Adviser Standard. The Monitoring Adviser is not a fiduciary and is not liable for any loss, liability, claim, expense or damage suffered or incurred by any Noteholders, any other Issuer Secured Creditor, the Issuer, the ParentCo, any AssetCo or any other Transaction Party with respect to the performance of its obligations under the MSA or the Issuer Deed of Charge, save for any loss suffered by the Bondholders resulting from its fraud, gross negligence or wilful default.

The Monitoring Adviser makes no representation or warranty, express or implied, that the documentation and opinions referred to herein, or the information contained or the assumptions on which they are based are accurate, complete or up-to-date in each case other than the opinions of the Monitoring Adviser as at the date of this MA Addendum based upon such information. The Monitoring Adviser has no obligation to update any such opinions other than in accordance with its obligations under the MSA.

This MA Addendum is not a recommendation or inducement to buy, sell or hold any securities (including those issued by UPP Bond 1 Issuer PLC).

AssetCo summaries

Appendix 1

UPP (Alcuin) Limited, University of York

Historic Senior Debt Service Cover Ratio (DSCR)

	2020
	£000's
EBITDA after sinking fund per profit and loss	**4,912**
Add:	
Sinking fund expenditure	129
Interest receivable	36
Deduct:	
Sinking fund deposit	(347)
Total movement	**(182)**
Total cash available for debt service	**4,730**
Debt service	
Interest	2,179
Fixed rate debt principle repayment	1,306
Total debt service	**3,485**
Annual Debt Service Cover Ratio (ADSCR) calculations	
ADSCR – default	1.05
ADSCR – lock up	1.15
ADSCR – actual	1.36
Headroom over default	1,070
Headroom over lock up	722

The Historic Senior Debt Service Cover Ratio has been calculated as per the definition in the Common Terms Agreement (CTA).

York

740 ROOMS FEBRUARY 2001 **NB**

304 ROOMS SEPTEMBER 2007 **ET**

ET – Estate Transfer

NB – New Build

UPP (Alcuin) Limited, University of York

Key metrics

Area	Metric	2020	2019
Site operations	Occupancy	**100.0%**	100.0%
Finance	EBITDA*	**£4.9m**	£3.9m
	ADSCR	**1.36**	1.35
Health and safety	Injury incident rate	**0.00**	0.00
Environment	Tonnes of CO_2 emissions	**1,287**	1,158
FM performance	Performance deductions	**None**	None
	Availability deductions	**None**	None

**EBITDA after sinking fund expenditure*

Sinking Fund

The sinking fund spend for the year was £129k (2019: £985k), 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 99.0% for 2020/21 which is inline with budgeted expectations. Rents for the academic year 2021/22 will be set during Q2 of 2020/21.

University outlook

The University of York is a world-class institution, ranked 133 in the Times Higher Education World University Rankings 2021. It was ranked 20 in The Sunday Times Good University Guide 2021. As an institution York is focusing developing its employability initiatives, and it is this focus on skills and careers support that helped the university to achieve gold in the Teaching Excellence Framework in 2018. York remains in the top 50 for satisfaction with teaching quality. The University continues to invest in research, teaching and campus facilities. Over the last two decades, twenty new buildings have been added on the original Heslington West campus and a £750m expansion has delivered modern resources at the linked Heslington East campus. A new building for the management school opens in early 2021, fitted with bespoke teaching and learning areas to accommodate the growing department.

In 2019, applications increased by 5% with new courses in business of the creative industries and in global development. York remains one of a small number of UK universities with a college system, and all students join one of nine. A tiny 3.1% of students drop out, around half the expected level based on their academic and social backgrounds. Accommodation is guaranteed for all first-years who apply by the deadline.

York has seen strong enrolment growth, with the full-time student population having grown by nearly 3,000 students in the last five years to 17,605, a compound annual growth rate of 3.6%. Residential demand appears to be strengthening to the benefit of the AssetCo with a students to bed ratio of 2.6:1. 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

Historic Senior Debt Service Cover Ratio (DSCR)

	2020
	£000's
EBITDA after sinking fund per profit and loss	7,982
Add:	
Sinking fund expenditure	408
Interest receivable	67
Deduct:	
Sinking fund deposit	(511)
Total movement	(36)
Total cash available for debt service	7,946
Debt service	
Interest	3,963
Fixed rate debt principle repayment	1,569
Total debt service	5,532
Annual Debt Service Cover Ratio (ADSCR) calculations	
ADSCR – default	1.05
ADSCR – lock up	1.15
ADSCR – actual	1.44
Headroom over default	2,137
Headroom over lock up	1,583

The Historic Senior Debt Service Cover Ratio has been calculated as per the definition in the Common Terms Agreement (CTA).

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

Key metrics

Area	Metric	2020	2019
Site operations	Occupancy	**98.8%**	100.0%
Finance	EBITDA*	**£8.0m**	£7.0m
	ADSCR	**1.44**	1.46
Health and safety	Injury incident rate	**4,286**	5,882
Environment	Tonnes of CO_2 emissions	**2,537**	2,842
FM performance	Performance deductions	**None**	None
	Availability deductions	**None**	None

**EBITDA after sinking fund expenditure*

Sinking Fund

Sinking fund expenditure for the year was £408k (2019: £1,210k). 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 expects occupancy of circa 91.0% for 2020/21, with the potential for additional short-let income during the year. Rents for the academic year 2021/22 will be set during Q2 of 2020/21.

University outlook

The University of Nottingham continues to be one of the most popular destinations for students in the UK and is ranked 26 in the UK by The Sunday Times Good University Guide 2021. It was also ranked 158 in the world according by The Times Higher Education World University Rankings 2021. Applications continue to increase at Nottingham, which continues to have an outstanding reputation for teaching and research and excellent levels of graduate employability being the sixth most targeted university by the top graduate employers. The university's careers and employability service are a strength, benefiting from outstanding links to employers of all sizes, regionally, nationally and globally.

Nottingham's 330-acre University Park campus is one of the most attractive in the UK, seizing several environmental awards in recent years. In one of its ambitious developments, the £23m Biodiscovery Institute, brings together experts in serious diseases, including cancer, cardiovascular, liver, bone and respiratory conditions to encourage collaboration and drive breakthroughs in treatments and diagnosis.

Much of the university's latest development has been on the Jubilee campus, its second base in the city, where the new Advanced Manufacturing Building, opened in 2019, hosts collaborations with companies such as Rolls-Royce and Siemens. The campus also houses the Centre for Sustainable Chemistry, part-funded by GSK, featuring the UK's first carbon-neutral laboratories.

The University is committed to refurbishing or redeveloping all of its student halls on its University Park Campus and it is spending £21m on accommodation for 280 students at the Jubilee campus.

Over the course of the last five years, the University has increased the number of full-time students it enrolls each year by more than 2,200 students to a total of well over 31,000. Data for the most recent academic year (2018/19) identifies that the University increased its full-time population by 2.3%, suggesting demand for residential accommodation will remain robust.

For the academic year 2019, it attracted nearly 54,000 UCAS applications and its main scheme application to acceptance ratio was 7.4:1. 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:
www.nottingham.ac.uk/strategy/home.aspx

UPP (Kent Student Accommodation) Limited, University of Kent

Historic Senior Debt Service Cover Ratio (DSCR)

	2020
	£000's
EBITDA after sinking fund per profit and loss	2,321
Add:	
Sinking fund expenditure	476
Interest receivable	19
Deduct:	
Sinking fund deposit	(345)
Total movement	150
Total cash available for debt service	2,471
Debt service	
Interest	1,184
Fixed rate debt principle repayment	472
Total debt service	1,656
Annual Debt Service Cover Ratio (ADSCR) calculations	
ADSCR – default	1.05
ADSCR – lock up	1.15
ADSCR – actual	1.49
Headroom over default	732
Headroom over lock up	567

The Historic Senior Debt Service Cover Ratio has been calculated as per the definition in the Common Terms Agreement (CTA).

Kent

544 ROOMS OCTOBER 2007 **NB**

NB – New Build

UPP (Kent Student Accommodation) Limited, University of Kent

Key metrics

Area	Metric	2020	2019
Site operations	Occupancy	**100%**	100%
Finance	EBITDA*	**£2.3m**	£2.6m
	ADSCR	**1.49**	1.47
Health and safety	Injury incident rate	**5,000**	0
Environment	Tonnes of CO2 emissions	**533**	656
FM performance	Performance deductions	**None**	None
	Availability deductions	**None**	None

**EBITDA after sinking fund expenditure*

Sinking Fund

The sinking fund expenditure for the year was £476k (2019: £133k). 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 68.0% for 2020/21. Rents for the academic year 2021/22 will be set during Q2 of 2020/21.

University outlook

The University of Kent is ranked 48 in The Sunday Times Good University Guide 2021. Operating a college-based system with academic as well as residential facilities, the Canterbury campus has six colleges. The system was one of the elements that contributing to Kent securing gold in the Teaching Excellence Framework. This position is supported by a strong performance in the Research Excellence Framework (REF), judged world-leading or internationally excellent in 75% of work submitted Led by successes in social work and social policy, music and drama, and modern languages, Kent achieved its highest ranking on research.

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.

Kent's main 300-acre campus overlooking the City features 1960s low-rise buildings alongside facilities such as the recently opened £18.8m economics building. Recent developments also include a £4m indoor tennis and events centre.
The University is also currently constructing the Pears Building at the Canterbury campus for Kent Medway Medical School, which will have a 150-seat lecture theatre, seminar rooms, social spaces and a GP simulation suite among its facilities.

The University continues to outperform its projected non-completion benchmark target and whilst applications have been in decline enrolments have increase by a compound annual growth rate of 2.5% over the past decade. In the last two academic years enrolments decreased by only 5.5.% albeit that this was on the basis of a record offer rate – nine in 10 applicants accepted by Kent in 2019. It has an Applications to Acceptances Ratio of 6.2:1 and a healthy Students to Bed ratio of 2.3:1.

With 4,689 residential spaces, Kent is one of the best-provided universities for accommodation. A £3m hub opened in 2018 in the Park Wood student village on the Canterbury campus, which includes a shop, café/bar and dance studios. The local housing market remains characterised by an overall lack of private rented supply for students, a restrictive planning environment and only two direct-let operators of purpose-built student accommodation.

For information on the University of Kent's strategy (2015-20):
www.kent.ac.uk/strategy

UPP (Nottingham) Limited, Nottingham Trent University

Historic Senior Debt Service Cover Ratio (DSCR)

	2020
	£000's
EBITDA after sinking fund and pension costs per profit and loss	**8,282**
Add:	
Sinking fund expenditure	**1,097**
Interest receivable	**76**
Deduct:	
Sinking fund deposit	**(1,298)**
Pension costs	**(34)**
Total movement	**(159)**
Total cash available for debt service	**8,123**
Debt service	
Interest	**4,223**
Fixed rate debt principle repayment	**1,854**
Total debt service	**6,076**
Annual Debt Service Cover Ratio (ADSCR) calculations	
ADSCR – default	**1.05**
ADSCR – lock up	**1.15**
ADSCR – actual	**1.34**
Headroom over default	**1,743**
Headroom over lock up	**1,136**

The Historic Senior Debt Service Cover Ratio has been calculated as per the definition in the Common Terms Agreement (CTA).

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

Key metrics

Area	Metric	2020	2019
Site operations	Occupancy	**100.0%**	100.0%
Finance	EBITDA*	**£8.3m**	£8.3m
	ADSCR	**1.34**	1.45
Health and safety	Injury incident rate	**3,846**	5,229
Environment	Tonnes of CO2 emissions	**2,693**	2,904
FM performance	Performance deductions	**None**	None
	Availability deductions	**None**	None

**EBITDA after sinking fund expenditure*

Sinking Fund

The sinking fund spend for the year was £1,097k (2019: £1,326k). 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 2020/21, which is above modelled expectations. Rents for the academic year 2021/22 will be set during Q2 of 2020/21.

University outlook

Nottingham Trent University (NTU) continues to be amongst the top two largest recruiters of undergraduates in the UK, and enrolments continue to increase. Ranked 54 in the Times Good University Guide, the University has been has seen a sustained increase in both applications and enrolments, both up by another 10% in 2019.The university continues to win awards in the various institutional rankings driving the growing demand for place. This has seen a compound annual growth rate of 4.4% over the last five years, adding the equivalent of an extra 5,500 full time students to the residential demand pool since 2013/14.

One significant source of academic demand at NTU are the number of students on year-long work placements. Most courses include placements of at least four weeks and the University have a dedicated employment team helping students to find international opportunities to study or work. The University has also increased the number and range of degree apprenticeships, with more than 1,000 students enrolled on 23 programmes. It is aiming to double participation by September 2021.

Nottingham Trent was awarded gold in the Teaching Excellence Framework and still performs well in the National Student Survey moving up to 11th place for student satisfaction. The TEF panel identified the 'considerable' investment made in the University's employability team and, in turn, the provision of high-quality work placements for all students.

Whilst the supply of student accommodation within the city of Nottingham continues to increase, NTU retains a very healthy student to bed ratio of 4.3:1, up from 3.9:1, a figure twice the national average. For the academic year 2017/18, the University attracted around 45,155 applications, an increase of nearly 5,000 on the previous year. Its main scheme application to acceptance ratio was 4.9:1. Over the last decade, the University has increased the number of students enrolled by more than 8,500 students - a compound annual growth rate of 3.6% per annum and an increase of 42.8% 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

Historic Senior Debt Service Cover Ratio (DSCR)

	2020
	£000's
EBITDA after sinking fund per profit and loss	**3,193**
Add:	
Sinking fund expenditure	**182**
Interest receivable	**22**
Deduct:	
Sinking fund deposit	**(328)**
Total movement	**(124)**
Total cash available for debt service	**3,069**
Debt service	
Interest	**1,641**
Fixed rate debt principle repayment	**620**
Total debt service	**2,260**
Annual Debt Service Cover Ratio (ADSCR) calculations	
ADSCR – default	**1.05**
ADSCR – lock up	**1.15**
ADSCR – actual	**1.36**
Headroom over default	**696**
Headroom over lock up	**470**

The Historic Senior Debt Service Cover Ratio has been calculated as per the definition in the Common Terms Agreement (CTA).

Oxford Brookes

750 ROOMS SEPTEMBER 2002 NB

20 ROOMS SEPTEMBER 2016 NB

NB – New Build

UPP (Oxford Brookes) Limited, Oxford Brookes University

Key metrics

Area	Metric	2020	2019
Site operations	Occupancy	**100.0%**	100.0%
Finance	EBITDA*	**£3.2m**	£3.2m
	ADSCR	**1.36**	1.41
Health and safety	Injury incident rate	**0**	5,556
Environment	Tonnes of CO2 emissions	**888**	845
FM performance	Performance deductions	**None**	None
	Availability deductions	**None**	None

**EBITDA after sinking fund expenditure*

Sinking Fund

Sinking fund expenditure for the year was £182k (2019: £209k). 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 2020/21, which is in line with modelled expectations. Rents for 2020/21 will be set in October 2021 as part of the controlled rent.

University outlook

Oxford Brookes continues to be the only UK university to appear in the top-50 QS world rankings for institutions less than 50 years old. The Times Good University Guide ranked it 56 overall for 2021 and improvement of eight places compared to 2020. For the academic year 2018/19, the University attracted 18,110 applications and its main scheme application to acceptance ratio was 4.8:1. Whilst applications have fallen by more than a third in three years, higher offer rates and the use of "conditional unconditional" offers in 2019 have ensured that the decline in enrolments has been marginal. Almost 30.0% of the undergraduates come from the independent school sector, the highest proportion among the non-specialist post-1992 universities.

The University has been focusing on its international profile and has spent time updating and streamlining its academic framework for 2020. This has involved the introduction of more interdisciplinary courses with more direct employability skills, a move which will reduce the number of optional modules but increase the focus on quality. 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.

As part of this the Headington Campus has also benefitted from new teaching, laboratory, research and study spaces at the Sinclair Building at Headington, where the Faculty of Health and Life Sciences has specialist computing equipment and software. The project was the latest phase in a £220m development programme.

Applicants who make Oxford Brookes their firm or insurance choice are guaranteed one of the 5,236 rooms owned or endorsed by the University. However, as 17% of entrants come through clearing, only 60% of those who would like to live in are able to be accommodated.

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.

For more information on Oxford Brookes University's strategy:
www.brookes.ac.uk/about-brookes/strategy

UPP (Plymouth Three) Limited, University of Plymouth

Historic Senior Debt Service Cover Ratio (DSCR)

	2020
	£000's
EBITDA after sinking fund per profit and loss	**5,213**
Add:	
Sinking fund expenditure	**640**
Interest receivable	**18**
Deduct:	
Sinking fund deposit	**(675)**
Total movement	**(17)**
Total cash available for debt service	**5,196**
Debt service	
Interest	**2,967**
Fixed rate debt principle repayment	**1,138**
Total debt service	**4,104**
Annual Debt Service Cover Ratio (ADSCR) calculations	
ADSCR – default	**1.05**
ADSCR – lock up	**1.15**
ADSCR – actual	**1.27**
Headroom over default	**886**
Headroom over lock up	**476**

The Historic Senior Debt Service Cover Ratio has been calculated as per the definition in the Common Terms Agreement (CTA).

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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

Key metrics

Area	Metric	2020	2019
Site operations	Occupancy	**97.8%**	95.0%
Finance	EBITDA*	**£5.2m**	£3.7m
	ADSCR	**1.27**	0.53
Health and safety	Injury incident rate	**5,882**	12,500
Environment	Tonnes of CO2 emissions	**2,088**	2,180
FM performance	Performance deductions	**None**	None
	Availability deductions	**None**	None

**EBITDA after sinking fund expenditure*

Sinking Fund

The sinking fund expenditure for the year was £640k (2019: £2,115k). An additional £2.9m was deposited into the sinking fund account in 2019.

Outlook for the new financial year

The Company has secured occupancy of 99.7% for 2020/21. Rents for the academic year 2021/22 will be set during Q2 of 2020/21.

University outlook

The University of Plymouth was ranked 59 by The Times Good University Guide 2021, an improvement of some 17 places on the previous year, placing the University in the top half of these rankings. This improvement is largely down to higher spending on student facilities and steady student satisfaction at a time when rates have fallen elsewhere. Plymouth is just outside the top 20 for student satisfaction with teaching quality in the National Student Survey and has a silver rating in the Teaching Excellence Framework.

The University has a Silver rating in the Teaching Excellence Framework (TEF), with only two other post-1992 universities producing better results in the 2014 Research Excellence Framework (REF), with nearly two-thirds of its research judged world-leading or internationally excellent.

The University is an ‘anchor institution’ and plays a key role in the economy of the South West, however it has taken the decision to move towards being a “smaller, higher-quality institution” playing to its core strengths including its research excellence, its strong reputation for teaching and its pivotal role in the city and wider region. More than £200m has been invested on the main campus near Plymouth city centre.

While some courses have been scaled back recently, the university has expanded a new range of degrees for 2020 includes zoology, creative writing, computing, audio and music technology. The university is planning to add environmental geoscience and diagnostic radiography, with ultrasonography and with an integrated foundation year in 2021.

Despite the decision to resize and reshape, the University continues to have both national and international appeal with well over 18,000 applications per annum, a main scheme application to acceptance ratio of 5.2:1 for 2019/20 and an improved position on the previous year. Whilst there remains considerable competition between accommodation providers in Plymouth, it continues to benefit from an exceptionally robust residential demand characteristics with a student to bed ratio of 3.4:1. The most recent HESA headcount data saw the University enroll 16,275 full-time students.

Student facilities include the £3m health and wellbeing centre and 1,754 residential places in Plymouth. Applicants holding Plymouth as their firm choice are guaranteed a place in one of the managed halls or in an accredited private hall if they apply by the end of June.

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

Historic Senior Debt Service Cover Ratio (DSCR)

	2020
	£000's
EBITDA after sinking fund per profit and loss	**9,618**
Add:	
Sinking fund expenditure	**849**
Interest receivable	**69**
Deduct:	
Sinking fund deposit	**(959)**
Total movement	**(41)**
Total cash available for debt service	**9,577**
Debt service	
Interest	**1,502**
Index-linked debt principle repayment	**5,256**
Total debt service	**6,758**
Annual Debt Service Cover Ratio (ADSCR) calculations	
ADSCR – default	**1.05**
ADSCR – lock up	**1.15**
ADSCR – actual	**1.42**
Headroom over default	**2,481**
Headroom over lock up	**1,805**

Historic Senior Debt Service Cover Ratio has been calculated as per the definition in the Common Terms Agreement (CTA).

Exeter

2,569 ROOMS 2009-2012 ET, NB

ET – Estate Transfer

NB – New Build

UPP (Exeter) Limited, University of Exeter

Key metrics

Area	Metric	2020	2019
Site operations	Occupancy	**100%**	100%
Finance	EBITDA*	**£9.5m**	£8.8m
	ADSCR	**1.42**	1.37
Health and safety	Injury incident rate	**4,225**	7,042
Environment	Tonnes of CO2 emissions	**1,894**	2,344
FM performance	Performance deductions	**None**	None
	Availability deductions	**None**	None

**EBITDA after sinking fund expenditure*

Sinking Fund

The sinking fund expenditure for the year was £849k (2019: £1.0m). 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 2020/21 which is above modelled expectations. Rents for the academic year 2021/22 will be set during Q2 of 2020/21.

University outlook

The University of Exeter remains one of the most popular universities in the UK and over the last two decades has more than doubled the number of students it enrolls. The University is ranked 12 in the Times Good University Guide continues to be one of the most prominent beneficiaries of a more competitive sector. It is one of a small number of institutions to rank consistently higher over recent years, expanding student numbers sharply while keeping entry standards high. 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 of Exeter was awarded Gold in the first Teaching Excellence Framework (TEF), as well as recording 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.

The University remains in the top 200 institutions in the world according to The Times Higher Education World University Rankings 2021 and is a member of the Russell Group of institutions, further reinforcing its world-class reputation. Exeter has doubled its undergraduate admissions in 12 years to more than 18,000, 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 4.8% and now enrolls nearly 23,000 full-time students each year. The University received 37,640 applications for the academic term 2019/20 with a strong application to acceptance ratio of 6.3:1. The AssetCo benefits from robust residential demand and has a student to bed ratio of 3.3:1.

Exeter is aiming to reduce the pressure on accommodation in the City, with Moberly and Spreytonway student residences becoming operational, on campus, in September 2020 and East Park due to reach practical completion ahead of the academic year 2021/22. This will provide a further 1,500 student bedrooms to the current accommodation stock of 6,100 rooms. About 95% of all first years who want to live in are accommodated, with room for around one-third of full-time students overall.

For information on the University of Exeter's strategy (2015):
www.exeter.ac.uk/media/universityofexeter/webteam/shared/contentimages/strategicplan/Strategic_Plan_2015.pdf

www.upp-ltd.com