
UPP (PLYMOUTH THREE) LIMITED

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2020

UPP (PLYMOUTH THREE) LIMITED

COMPANY INFORMATION

Directors	M Swindlehurst H Gervaise-Jones
Registered number	05016132
Registered office	First Floor 12 Arthur Street London EC4R 9AB
Independent auditor	KPMG LLP Chartered Accountants and Statutory Auditor 15 Canada Square London E14 5GL

UPP (PLYMOUTH THREE) LIMITED

CONTENTS

	Page
Strategic Report	1 - 3
Directors' Report	4 - 6
Independent Auditor's Report	7 - 9
Consolidated Profit and Loss Account	10
Consolidated Statement of Comprehensive Income	11
Consolidated Balance Sheet	12
Company Balance Sheet	13
Consolidated Statement of Changes in Equity	14 - 15
Company Statement of Changes in Equity	16 - 17
Consolidated Statement of Cash Flows	18
Notes to the Financial Statements	19 - 41

UPP (PLYMOUTH THREE) LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 AUGUST 2020

Business review

The principal activity of the Group is the development, funding, construction and operation of university accommodation under the University Partnerships Programme, in partnership with the University of Plymouth.

The project comprises of 1,764 student residential accommodation bedrooms within the University of Plymouth main campus.

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

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

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

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.

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

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

Principal risks and uncertainties

Financial risk management objectives and policies

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

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

Interest rate risk

The Group finances its operations through a mixture of retained profits, related party borrowings and fixed rate and inflation linked on-loans from a fellow group undertaking.

Through the use of the fixed rate tranche of the on-loan the Company and Group has mitigated its negative exposure to interest rate fluctuations on that portion of its borrowings. The index-linked tranche of the on-loan has a nominal fixed rate that is linked to RPI (see below).

Inflation risk

Growth in rental income received is linked to the movement in RPI and the Group manages the exposure to this index through a mix of inflation linked debt on-lent from the fellow group undertaking and the use of RPI swaps to hedge a portion of the fixed rate on-loan servicing costs.

Liquidity risk

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

The maturity of borrowings is set out in note 18 to the financial statements.

Demand risk

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

Portfolio risk

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

UPP (PLYMOUTH THREE) LIMITED

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

Financial key performance indicators

The following are considered by the Directors to be indicators of average performance of the Group that are not necessarily evident from the financial statements but provide insight into the quality of underlying cash flows for the borrowers.

	2019/20	2018/19
Average Applications : Acceptance ratio	5.2:1	4.6:1
Average core demand pool (no. of students)	10,780	11,475

The indicators above are directly related to performance of the university partner of the Group and any changes in these statistics may potentially affect the performance of the Group and in turn, the economic viability of this company.

The directors also monitor the occupancy levels of the student accommodation facilities.

	2019/20	2018/19
Average occupancy across the facilities	99.7%	97.8%

The target occupancy level is 95.2%, as such the directors are satisfied that the noted above occupancy levels exceed tolerable limits for the recovery of credit extended to the Group. In addition, the Group met its on-loan obligations in the period.

The Group has to adhere to financial covenants on the associated senior debt financial instruments, such as debt service cover ratio. All of the financial covenants have been met during the financial year.

This report was approved by the board on 14 December 2020 and signed on its behalf.



H Gervaise-Jones
Director

UPP (PLYMOUTH THREE) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 AUGUST 2020

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

Directors' responsibilities statement

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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

Financial risk management objectives and policies

The Group and Company's financial risk management objectives and policies are considered to be of strategic significance and are therefore detailed in the Strategic Report on pages 1 to 3.

UPP (PLYMOUTH THREE) LIMITED

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

Going concern

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

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

On this basis, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, being a period of not less than twelve months from the date of approval of these financial statements, and therefore continue to adopt the going concern basis in preparing these financial statements. For more information refer to Basis of preparation note in Financial Statements.

Results and dividends

The profit for the year, after taxation, amounted to £3,889k (2019 - loss £1,849 k).

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

Directors

The directors who served during the year were:

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

Future developments

Occupancy for the 2020/21 financial year has been secured at 99%.

Qualifying third party indemnity provisions

During the year and up to the date of this report, the Group and Parent Company maintained liability insurance and third-party indemnification provisions for its directors, under which the Group and Parent Company has agreed to indemnify the directors to the extent permitted by law in respect of all liabilities to third parties arising out of, or in connection with, the execution of their powers, duties and responsibilities of the Group and Parent Company.

UPP (PLYMOUTH THREE) LIMITED

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

Disclosure of information to auditor

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

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Post balance sheet events

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

Auditor

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

This report was approved by the board on 14 December 2020 and signed on its behalf.



H Gervaise-Jones
Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UPP (PLYMOUTH THREE) LIMITED

Opinion

We have audited the financial statements of UPP (Plymouth Three) Limited ("the company") for the year ended 31 August 2020, which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheet, the Consolidated and Company Statements of Changes in Equity, the Consolidated Statement of Cash Flows and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 August 2020 and of the group's profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

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

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

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

Strategic report and directors' report

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UPP (PLYMOUTH THREE) LIMITED

Based solely on that work:

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

UPP (PLYMOUTH THREE) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UPP (PLYMOUTH THREE) LIMITED

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

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



Craig Steven-Jennings (Senior statutory auditor)

for and on behalf of

KPMG LLP

Chartered Accountants
Statutory Auditor

15 Canada Square
London
E14 5GL
15 December 2020

UPP (PLYMOUTH THREE) LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 AUGUST 2020

	Note	2020 £000	As restated 2019 £000
Turnover	4	9,017	8,912
Cost of sales		(2,817)	(2,753)
Gross profit		6,200	6,159
Administrative expenses		(1,398)	(2,821)
Operating profit	5	4,802	3,338
Interest receivable and similar income	8	66	74
Interest payable and similar expenses	9	(979)	(5,261)
Profit/(loss) before tax		3,889	(1,849)
Profit/(loss) for the financial year		3,889	(1,849)
Profit/(loss) for the year attributable to:			
Owners of the parent		3,889	(1,849)
		3,889	(1,849)

The notes on pages 19 to 41 form part of these financial statements.

The above results all relate to continuing operations.

UPP (PLYMOUTH THREE) LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 AUGUST 2020

	Note	2020 £000	As restated 2019 £000
Profit/(loss) for the financial year	22	3,889	(1,849)
Other comprehensive income			
Revaluation of tangible fixed assets	13	(3,352)	(1,616)
Other comprehensive loss for the year		(3,352)	(1,616)
Total comprehensive loss for the year		537	(3,465)
Profit/(loss) for the year attributable to:			
Owners of the Parent Company		3,889	(1,849)
		3,889	(1,849)
Total comprehensive income attributable to:			
Owners of the Parent Company		537	(3,465)
		537	(3,465)

The notes on pages 19 to 41 form part of these financial statements.

Prior year restatement is disclosed in note 22.

UPP (PLYMOUTH THREE) LIMITED
REGISTERED NUMBER: 05016132

CONSOLIDATED BALANCE SHEET
AS AT 31 AUGUST 2020

	Note	2020 £000	<i>As restated</i> 2019 £000
Fixed assets			
Intangible assets	12	1,420	1,457
Tangible assets	13	79,100	82,828
		<u>80,520</u>	<u>84,285</u>
Current assets			
Debtors	15,22	6,777	6,658
		<u>6,777</u>	<u>6,658</u>
Creditors: amounts falling due within one year	16	(2,842)	(3,840)
		<u>3,935</u>	<u>2,818</u>
Net current assets			
		<u>84,455</u>	<u>87,103</u>
Total assets less current liabilities			
Creditors: amounts falling due after more than one year	17,22	(67,005)	(70,190)
		<u>17,450</u>	<u>16,913</u>
Net assets			
Capital and reserves			
Called up share capital	20	2,033	2,033
Revaluation reserve	21	18,389	21,840
Profit and loss account	21,22	(2,972)	(6,960)
		<u>17,450</u>	<u>16,913</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 14 December 2020.



H Gervaise-Jones
Director

The notes on pages 19 to 41 form part of these financial statements.

Prior year restatement is disclosed in note 22.

UPP (PLYMOUTH THREE) LIMITED
REGISTERED NUMBER: 05016132

COMPANY BALANCE SHEET
AS AT 31 AUGUST 2020

	Note	2020 £000	As restated 2019 £000
Fixed assets			
Intangible assets	12	(14,845)	(15,235)
Tangible assets	13	79,100	82,828
		<u>64,255</u>	<u>67,593</u>
Current assets			
Debtors	15	6,778	6,658
		<u>6,778</u>	<u>6,658</u>
Creditors: amounts falling due within one year	16	(2,857)	(3,855)
		<u>3,921</u>	<u>2,803</u>
Net current assets			
		<u>68,176</u>	<u>70,396</u>
Total assets less current liabilities			
Creditors: amounts falling due after more than one year	17	(67,005)	(70,190)
		<u>1,171</u>	<u>206</u>
Net assets			
Capital and reserves			
Called up share capital	20	2,033	2,033
Revaluation reserve	21	1,094	4,545
Profit and loss account	21	(1,956)	(6,372)
		<u>1,171</u>	<u>206</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 14 December 2020.


H Gervaise-Jones
 Director

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Profit and Loss Account in these financial statements. The loss after tax of the parent Company for the year was £3,912k (2019 - £498k loss).

The notes on pages 19 to 41 form part of these financial statements.

UPP (PLYMOUTH THREE) LIMITED

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

	Called up share capital	Revaluation reserve	Profit and Loss account	Total equity
	£000	£000	£000	£000
At 1 September 2019	2,033	21,840	(6,960)	16,913
Restated loss for the year	-	-	3,889	3,889
Transfer from revaluation reserve	-	-	99	99
Movement on revaluation of leasehold property	-	(3,352)	-	(3,352)
Transfer to profit and loss account	-	(99)	-	(99)
At 31 August 2020	2,033	18,389	(2,972)	17,450

The notes on pages 19 to 41 form part of these financial statements.

Where depreciation charges are increased following a revaluation, an amount equal to the increase is transferred annually from the revaluation reserve to the Profit and Loss account as a movement on reserves. The transfer for 2020 was £99k.

Prior year restatement is disclosed in note 22.

UPP (PLYMOUTH THREE) LIMITED

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

	Called up share capital	Revaluation reserve	Profit and Loss account	Total equity
	£000	£000	£000	£000
At 1 September 2018 (as previously stated)	2,033	23,555	2,095	27,683
Prior year adjustment	-	-	(7,305)	(7,305)
At 1 September 2018 (as restated)	2,033	23,555	(5,210)	20,378
Loss for the year	-	-	(1,849)	(1,849)
Transfer from revaluation reserve	-	-	99	99
Movement on revaluation of leasehold property	-	(1,616)	-	(1,616)
Transfer to profit and loss account	-	(99)	-	(99)
At 31 August 2019	2,033	21,840	(6,960)	16,913

The notes on pages 19 to 41 form part of these financial statements.

Where depreciation charges are increased following a revaluation, an amount equal to the increase is transferred annually from the revaluation reserve to the Profit and Loss account as a movement on reserves. The transfer for 2019 was £99k.

Prior year restatement is disclosed in note 22.

UPP (PLYMOUTH THREE) LIMITED

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

	Called up share capital	Revaluation reserve	Profit and Loss account	Total equity
	£000	£000	£000	£000
At 1 September 2019	2,033	4,545	(6,372)	206
Profit for the year	-	-	4,317	4,317
Transfer to profit and loss account	-	-	99	99
Movement on revaluation of leasehold property	-	(3,352)	-	(3,352)
Transfer from revaluation reserve	-	(99)	-	(99)
At 31 August 2020	2,033	1,094	(1,956)	1,171

The notes on pages 19 to 41 form part of these financial statements.

Where depreciation charges are increased following a revaluation, an amount equal to the increase is transferred annually from the revaluation reserve to the Profit and Loss account as a movement on reserves. The transfer for 2020 was £99k.

Prior year restatement is disclosed in note 22.

UPP (PLYMOUTH THREE) LIMITED

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

	Called up share capital	Revaluation reserve	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 September 2018 (as previously stated)	2,033	6,260	2,256	10,549
Prior year adjustment	-	-	(7,305)	(7,305)
At 1 September 2018 (as restated)	2,033	6,260	(5,049)	3,244
Loss for the year	-	-	(1,422)	(1,422)
Transfer to profit and loss account	-	-	99	99
Movement on revaluation of leasehold property	-	(1,616)	-	(1,616)
Transfer from revaluation reserve	-	(99)	-	(99)
At 31 August 2019	2,033	4,545	(6,372)	206

The notes on pages 19 to 41 form part of these financial statements.

Where depreciation charges are increased following a revaluation, an amount equal to the increase is transferred annually from the revaluation reserve to the Profit and Loss account as a movement on reserves. The transfer for 2019 was £99k.

Prior year restatement is disclosed in note 22.

UPP (PLYMOUTH THREE) LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 AUGUST 2020

	2020 £000	As restated 2019 £000
Cash flows from operating activities		
Profit/(loss) for the financial year	3,889	(1,849)
Adjustments for:		
Amortisation of intangible assets	37	37
Depreciation of tangible assets	376	356
Interest paid	979	5,261
Interest received	(66)	(74)
(Increase)/decrease in debtors	(119)	97
(Increase) in amounts owed by groups	(3)	(1,762)
Increase in creditors	637	262
(Decrease)/increase in amounts owed to groups	(1,697)	1,654
Net cash generated from operating activities	4,033	3,982
Cash flows from investing activities		
Interest received	66	74
Net cash from investing activities	66	74
Cash flows from financing activities		
Repayment of loans	(1,138)	(1,044)
Interest paid	(2,961)	(3,012)
Net cash used in financing activities	(4,099)	(4,056)
Net increase in cash and cash equivalents	-	-
Cash and cash equivalents at the end of year	-	-
Cash and cash equivalents at the end of year comprise:		
	-	-

The notes on pages 19 to 41 form part of these financial statements.

UPP (PLYMOUTH THREE) LIMITED

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

1. General information

UPP (Plymouth Three) Limited is a private company limited by shares incorporated in England, with company number 05016132. The registered office is First Floor, 12 Arthur Street, London, EC4R 9AB

2. Accounting policies

2.1 Basis of preparation of financial statements

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

The Group has chosen to apply transitional relief under Section 35.10 (i) Service concession arrangements – Accounting By Operators, and as a result its tangible fixed assets which meet the definition of service concession arrangements under Section 34 but where the contract was entered into before the date of transition will continue to be accounted for using the same accounting policies being applied at the date of transition to FRS 102.

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

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

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

The following principal accounting policies have been applied:

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

2. Accounting policies (continued)

2.2 Going concern

The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

In preparing these financial statements, the Directors have considered the impacts of the Covid-19 pandemic on the ability of the Company to continue as a going concern by preparing a cash flow forecast through to 31 August 2022, modelling a severe but plausible downside scenario which demonstrates that the Company is expected to have sufficient funds to meet its liabilities as they fall due over the period of 12 months from the date of approval of the financial statements.

A key feature of the Company's contractual arrangements is that university counterparty bears the risk on in-year rental income once students have contracted for the rooms. The effectiveness of this contractual protection was confirmed through the challenging circumstances that arose during the third term when the university counterparty chose to waive rents for students that departed early but continued to meet its payment obligations to the Company.

For the 2020/21 academic year the Company has secured sufficient lettings to remain compliant with funding covenants. The Directors anticipate that the Company's university counterparty will meet its payment obligations as they fall due even in the severe plausible downside and, as a result, revenue risk for the 2020/21 year remains low. The Directors consider that the Company's costs are reasonably controllable and while there are likely to be increased costs arising from changes to the operating practices to respond to Covid-19, these may be offset by cost savings elsewhere and are not sufficient to threaten the viability of the business.

The Directors believe that the fundamentals of the market for student accommodation remain supportive to the long-term success of the business and while Covid-19 and similar risks have the potential to impact upon future years, the Company, universities, the Government and the public are likely to be better prepared for such events such that the impact is less severe than it was in 2020.

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

2.3 Basis of Consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Balance Sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Profit and Loss Account from the date on which control is obtained. They are deconsolidated from the date control ceases.

In accordance with the transitional exemption available in FRS 102, the group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 01 September 2014.

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

2. Accounting policies (continued)

2.4 Turnover

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

2.5 Tangible fixed assets

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

Assets for use in operating leases - annuity method over the term of the lease

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

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

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

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

2.6 Revaluation of tangible fixed assets

Individual freehold and leasehold properties are carried at current year value at fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are undertaken with sufficient regularity to ensure the carrying amount does not differ materially from that which would be determined using fair value at the Balance Sheet date.

Fair values are determined from market based evidence normally undertaken by professionally qualified valuers.

Revaluation gains and losses are recognised in the Consolidated Profit and Loss Account unless losses exceed the previously recognised gains or reflect a clear consumption of economic benefits, in which case the excess losses are recognised in profit or loss.

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

2. Accounting policies (continued)

2.7 Valuation of investments

Fixed asset investments are carried at cost less any provision for impairment in value.

2.8 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

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

2.9 Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short term deposits with an original maturity date of three months or less.

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

2.10 Interest bearing loans and borrowings

Fixed rate senior secured notes, indexlinked senior secured notes are initially measured at fair value, net of transaction costs. They are then subsequently measured at amortised cost using the effective interest method. Refer to note 3 for details on why the instruments are considered to be basic.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant year. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial liability, or (where appropriate) a shorter year, to the net carrying amount on initial recognition.

Where the financial liability has variable cash flows, such as the index linked interest and principal repayments, the change in RPI is charged to the profit and loss in the period to which it relates.

2.11 Creditors

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

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

2. Accounting policies (continued)

2.12 Derivative instruments

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

To mitigate its exposure to changes in inflation, the Group has entered into inflation-linked swaps ('RPI swaps') with UPP Bond 1 Issuer Plc, a fellow group undertaking. All derivative instruments are initially measured at fair value on the date the contract is entered into and subsequently re measured to fair value at each reporting date. The gain or loss on re measurement is taken to the Profit and Loss in finance cost or finance income as appropriate, unless they are included in a hedging arrangement.

Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The fair values of inflation swap contracts are determined by calculating the present value of the estimated future cash flows using observable yield curves.

2.13 Finance costs

Financing costs, comprising interest payable on loans and the costs incurred in connection with the arrangement of borrowings are recognised in the profit and loss using the effective interest method. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument unless the capital instrument is subsequently carried at fair value in which case the initial issue costs are expensed in the profit and loss account.

Financing costs also include losses or gains arising on any ineffective portion of fair value changes of designated for hedge accounting derivative instruments. Any movements in fair value of derivative instruments designated for hedge accounting that are effective are recognised in other comprehensive income as finance gains or losses.

2.14 Borrowing costs

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

2.15 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis over the remaining lease period on the principal asset held by the subsidiary. This period represents the period over which each subsidiary undertaking acquired will continue to generate cash flows. Amortisation is charged to the Consolidated Profit and Loss Account over its useful economic life.

2.16 Interest income

Interest income is recognised in the Profit and Loss Account using the effective interest method.

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

2. Accounting policies (continued)

2.17 Related party transactions

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

2.18 Pensions

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

The contributions are recognised as an expense in the Profit and Loss Account when they fall due.

Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the Group in independently administered funds.

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

3. Judgements in applying accounting policies and key sources of estimation uncertainty

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

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

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

Revaluation of the principal assets (note 13)

The Group has adopted a policy to revalue the principal assets every five years with an interim valuation performed in year three of the cycle and in other years if there is evidence that the value has changed significantly. The Group engages independent valuation specialists to determine the fair value of the assets every five years, with a directors' valuation performed at any other interim period. The valuation technique employed by both the independent valuers and directors is based on a discounted cash flow model as there is a lack of comparable market data due to the specific nature of the property assets. The determined fair value of the principal assets is most sensitive to the estimated rental growth, discount rate, as well as the long term occupancy rates. The key assumptions used to determine the principal assets are further explained in note 13.

Valuation of RPI swaps (Note 19)

In estimating the fair value of the RPI swaps, the Company incorporates credit valuation adjustments to appropriately reflect both its own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements, which are subjective in nature and require significant judgement. In adjusting the fair value of its derivative contracts for the effect of nonperformance risk, the Company has considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts, and guarantees.

Impairment of non-financial assets

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

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

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

Presentation of the principal asset (note 13)

Rent receivable is generated from the Group's interests in university accommodation. These interests fall within the scope of Section 34 of FRS 102, however, due to the transitional relief adopted in relation to

UPP (PLYMOUTH THREE) LIMITED

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

3. Judgements in applying accounting policies (continued)

service concession arrangements, the Group continues to account for all its principal assets applying the policies under the extant UK GAAP, FRS 5 (Application Note F).

Each year the Group applies judgement in assessing the status of these interests, in accordance with the provisions of FRS 5 (Application Note F), assessing the balance of the significant risks and rewards of ownership of the asset. The appropriate balance sheet treatment of these interests is to treat the asset as a finance receivable asset where the Group does not have the majority of significant risks and rewards. Where it does, the asset is treated as a tangible fixed asset.

The directors consider the balance of the risks and rewards lies with the Group due to the Group taking the key demand risk and therefore the assets are treated as tangible fixed asset.

Classification of index-linked financial instruments (note 18)

The Group's index-linked senior on loans are fully amortising with both principal repayments and real interest adjusted semi-annually by the change in the RPI index. Management have concluded that despite both principal and interest being linked to RPI, these links are not leveraged and because both principal and interest repayment obligations change in the same proportion and therefore the conditions in paragraphs 11.9(a) and (aA) of FRS 102 are met and the Group's index linked financial instruments are classified as basic and carried at amortised cost.

4. Turnover

Turnover represents income, on the basis of accounting policy 2.4, excluding VAT, attributed to the provision of student accommodation.

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

	2020	2019
	£000	£000
Provision of student accommodation	9,017	8,912
	9,017	8,912

All turnover arose within the United Kingdom.

5. Operating profit

The operating profit is stated after charging:

	2020	2019
	£000	£000
Depreciation of tangible fixed assets	376	356
Amortisation intangible assets, including goodwill	37	37

UPP (PLYMOUTH THREE) LIMITED

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

6. Auditor's remuneration

	2020	<i>2019</i>
	£000	<i>£000</i>
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	14	<i>8</i>

Fees payable to the Group's auditor for the audit of the subsidiaries annual financial statements was £nil (2019 - £nil).

7. Employees and Director information

Staff costs were as follows:

	Group	<i>Group</i>	Company	<i>Company</i>
	2020	<i>2019</i>	2020	<i>2019</i>
	£000	<i>£000</i>	£000	<i>£000</i>
Wages and salaries	897	<i>823</i>	897	<i>823</i>
Social security costs	55	<i>61</i>	55	<i>61</i>
Cost of defined contribution scheme	38	<i>62</i>	38	<i>62</i>
	990	<i>946</i>	990	<i>946</i>

Key management personnel

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

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

	2020	<i>2019</i>
	No.	<i>No.</i>
Site managers (full time)	7	<i>5</i>
Administration, maintenance and cleaning (full and part time)	47	<i>50</i>
	54	<i>55</i>

The Company has no employees other than the directors, who did not receive any remuneration (2019 - £NIL)

UPP (PLYMOUTH THREE) LIMITED

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

8. Interest receivable

	2020	<i>2019</i>
	£000	<i>£000</i>
Interest receivable from group companies	18	<i>18</i>
Bank interest receivable	48	<i>56</i>
	<u>66</u>	<u><i>74</i></u>

9. Interest payable and similar expenses

	2020	<i>As restated</i> <i>2019</i>
	£000	<i>£000</i>
Fixed rate senior interest due to group undertaking	2,616	<i>2,661</i>
Fair value movement on swaps	(2,271)	<i>1,698</i>
Index-linked interest due to group undertaking	634	<i>902</i>
	<u>979</u>	<u><i>5,261</i></u>

Interest due to group undertaking is payable to UPP Bond 1 Issuer plc.

Subordinated loan interest is payable to UPP Bond 1 Limited, effective from 1 March 2018 the subordinated loan notes were waived.

10. Taxation

	2020	<i>2019</i>
	£000	<i>£000</i>
Total current tax	<u>-</u>	<u><i>-</i></u>
Deferred tax		
Total deferred tax	<u>-</u>	<u><i>-</i></u>
Taxation on profit on ordinary activities	<u>-</u>	<u><i>-</i></u>

UPP (PLYMOUTH THREE) LIMITED

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

10. Taxation (continued)**Factors affecting tax (credit)/charge for the year**

The tax assessed for the year is lower than (2019 - *lower than*) the standard rate of corporation tax in the UK of 19% (2019 - 19.00%). The differences are explained below:

	2020 £000	2019 £000
Profit/(loss) on ordinary activities before tax	3,889	(1,850)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19.00%)	739	(352)
Effects of:		
Expenses disallowable for tax purposes	7	7
Non-taxable income	(3)	(3)
Brought forward losses utilised in the year	(9)	(14)
Exempt property rental profits in the year	(734)	362
Total tax credit for the year	-	-

Factors that may affect future tax credit

UPP REIT Holdings Limited is a Real Estate Investment Trust ("REIT"). As a result, the Company and Group no longer pay UK corporation tax on profits and gains from qualifying property rental business providing it meets certain conditions. Non-qualifying profits and gains continue to be subject to UK corporation tax as normal.

A deferred tax asset of £11,520k (2019: £11,520k) in respect of available tax losses has not been recognised at 31 August 2020.

11. Parent company profit for the year

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Profit and Loss Account in these financial statements. The profit after tax of the Company for the year was £4,317k (2019 - £1,422k loss)

UPP (PLYMOUTH THREE) LIMITED

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

12. Intangible assets

Group

	Goodwill £000
Cost	
At 1 September 2019	1,892
At 31 August 2020	<u>1,892</u>
Amortisation	
At 1 September 2019	435
Charge for the year on owned assets	37
At 31 August 2020	<u>472</u>
Net book value	
At 31 August 2020	<u><u>1,420</u></u>
At 31 August 2019	<u><u>1,457</u></u>

UPP (PLYMOUTH THREE) LIMITED

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

12. Intangible assets (continued)

Company

	Negative Goodwill £000
Cost	
At 1 September 2019	(18,053)
At 31 August 2020	<u>(18,053)</u>
Amortisation	
At 1 September 2019	(2,817)
Charge for the year	(391)
At 31 August 2020	<u>(3,208)</u>
Net book value	
At 31 August 2020	<u><u>(14,845)</u></u>
At 31 August 2019	<u><u>(15,235)</u></u>

Goodwill arose on the acquisition of the subsidiary undertakings during the year ended 31 August 2008.

Negative goodwill, related to the Company only, arose on the hive up of subsidiary undertakings during the year ended 31 August 2013.

UPP (PLYMOUTH THREE) LIMITED

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

13. Tangible fixed assets

Group and Company

	Assets for use in operating leases £000
Valuation	
At 1 September 2019	82,828
Revaluations	(3,728)
At 31 August 2020	<u>79,100</u>
Charge for the year on owned assets	376
On revalued assets	(376)
At 31 August 2020	<u>-</u>
Net book value	
At 31 August 2020	<u><u>79,100</u></u>
At 31 August 2019	<u><u>82,828</u></u>

UPP (PLYMOUTH THREE) LIMITED

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

13. Tangible fixed assets (continued)

Fixed assets include borrowing cost of £2,792k (2019: £2,792k) which have been capitalised at 100%.

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

Assets used in operating leases were independently valued by Jones Lang LaSalle Limited ("JLL"), Chartered Surveyors, on an existing use basis at 31 August 2020. JLL have confirmed that the value as at that date was £79,100k.

In 2019, following an internal review of the assets used in operating leases, the directors' have decided to revalue the assets to the value as determined by JLL in 2018.

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

	2020
Discount rates	8.25%
Occupancy rates	99%
Long term annual rental growth	3.0%

Cost or valuation at 31 August 2020 is as follows:

	Assets for use in operating leases £000
At cost	63,210
At valuation:	
Revaluation as at 31 August 2020	15,890
	79,100

If the assets for use in operating leases had not been included at valuation they would have been included under the historical cost convention as follows:

	2020 £000	2019 £000
Group and company		
Cost	63,210	63,210
Accumulated depreciation	(1,974)	(1,598)
Net book value	61,236	61,612

UPP (PLYMOUTH THREE) LIMITED

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

14. Fixed asset investments

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Class of shares	Holding
UPP (Plymouth) Limited	First Floor, 12 Arthur Street, London, EC4R 9AB	Ordinary	100%
UPP (Plymouth Two) Limited	First Floor, 12 Arthur Street, London, EC4R 9AB	Ordinary	100%
UPP (James Square Plymouth) Limited	First Floor, 12 Arthur Street, London, EC4R 9AB	Ordinary	100%

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

Name	Aggregate of share capital and reserves £000	Profit/(Loss) £000
UPP (Plymouth) Limited	1	-
UPP (Plymouth Two) Limited	1	-
UPP (James Square Plymouth) Limited	1	-

15. Debtors

	Group	<i>Group As restated</i>	Company	<i>Company As restated</i>
	2020	2019	2020	2019
	£000	£000	£000	£000
Trade debtors	13	60	14	60
Amounts owed by group undertakings	6,583	6,580	6,583	6,580
Other debtors	-	1	-	1
Prepayments and accrued income	181	17	181	17
	6,777	6,658	6,778	6,658

UPP (PLYMOUTH THREE) LIMITED

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

15. Debtors (continued)

Included within amounts owed by group undertakings is a balance owed from UPP Bond 1 Issuer Plc of £1,872k (2019 - £1,825k) which is to fund a debt service reserve account held by UPP Bond 1 Issuer Plc that is sized to be adequate to cover the next six months of service costs of both tranches of the senior secured notes. This amount is reviewed every six months and increased or decreased accordingly. Interest receivable on these loans is calculated using the effective interest method which is different to the actual cash interest received at the rate the company earns interest on the cash balances it holds.

The remaining amounts owed by group undertakings is an amount owed by UPP Bond 1 Limited.

16. Creditors: Amounts falling due within one year

	Group	<i>Group As restated</i>	Company	<i>Company As restated</i>
	2020	<i>2019</i>	2020	<i>2019</i>
	£000	<i>£000</i>	£000	<i>£000</i>
Fixed rate on loans	1,197	<i>1,138</i>	1,197	<i>1,138</i>
Trade creditors	27	<i>35</i>	27	<i>35</i>
Amounts owed to group undertakings	306	<i>2,003</i>	322	<i>2,019</i>
Other taxation and social security	4	<i>-</i>	4	<i>-</i>
Accruals and deferred income	1,308	<i>664</i>	1,307	<i>663</i>
	2,842	<i>3,840</i>	2,857	<i>3,855</i>

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

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

	Group	<i>Group</i>	Company	<i>Company</i>
	2020	<i>2019</i>	2020	<i>2019</i>
	£000	<i>£000</i>	£000	<i>£000</i>
Fixed rate on loans	48,499	<i>49,606</i>	48,499	<i>49,606</i>
Index linked on loans	15,930	<i>15,738</i>	15,930	<i>15,738</i>
Financial instruments	2,576	<i>4,846</i>	2,576	<i>4,846</i>
	67,005	<i>70,190</i>	67,005	<i>70,190</i>

UPP (PLYMOUTH THREE) LIMITED

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

18. Loans

On-loans

On 5 March 2013 a fellow subsidiary of the Group's immediate parent UPP Bond 1 Limited, UPP Bond 1 Issuer plc, launched a Multicurrency Programme for the issuance of £382.1 million Senior Secured Notes. The proceeds of this bond issuance were on lent to UPP (Plymouth Three) Limited and five other subsidiary undertakings of UPP Bond 1 Limited, to enable the companies to repay their existing senior bank debt funding.

These notes are listed on the Irish Stock Exchange. The 4.9023% fixed rate loan notes are due to be fully repaid by 2040, with repayments having begun in August 2013. The 2.7291% index linked loan notes are due to be fully repaid by 2047, with repayments starting in August 2038.

The group entered into on-loan arrangements with UPP Bond 1 Issuer plc the terms and conditions of which are laid out below:

	Amount	Interest rate	Maturity
Tranche A	56,165,000	Fixed rate at 4.9023%	31 August 2040
Tranche B	13,652,000	Index-linked at 2.7291%	31 August 2047

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

Subordinated loan notes

On 5 March 2013, UPP Bond 1 Limited provided unsecured subordinated loan notes of £26,551,000 to the group. These loan notes bear interest at 14%.

Effective from 1 March 2018 the unsecured subordinated loan notes were waived by UPP Bond 1 Limited resulting in a capital contribution of £33,685k. There was no capital contribution for 2019.

UPP (PLYMOUTH THREE) LIMITED

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

18. Loans (continued)

	Group 2020 £000	<i>Group 2019 £000</i>	Company 2020 £000	<i>Company 2019 £000</i>
Amounts falling due within one year				
Fixed rate on loans	1,197	<i>1,138</i>	1,197	<i>1,138</i>
	1,197	<i>1,138</i>	1,197	<i>1,138</i>
Amounts falling due 1-2 years				
Fixed rate on loans	1,310	<i>1,197</i>	1,310	<i>1,197</i>
	1,310	<i>1,197</i>	1,310	<i>1,197</i>
Amounts falling due 2-5 years				
Fixed rate on loans	4,868	<i>4,438</i>	4,868	<i>4,438</i>
	4,868	<i>4,438</i>	4,868	<i>4,438</i>
Amounts falling due after more than 5 years				
Fixed rate senior on loans	42,321	<i>43,970</i>	42,321	<i>43,970</i>
Index-linked on loans	15,930	<i>15,738</i>	15,930	<i>15,738</i>
	58,251	<i>59,708</i>	58,251	<i>59,708</i>
	65,626	<i>66,481</i>	65,626	<i>66,481</i>

UPP (PLYMOUTH THREE) LIMITED

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

19. Financial instruments

	Group 2020 £000	<i>Group 2019 £000</i>	Company 2020 £000	<i>Company 2019 £000</i>
Financial assets				
Financial assets measured at amortised cost	6,596	6,637	6,597	6,640
Financial liabilities				
Derivative financial instruments at fair value through profit and loss	(2,576)	(4,846)	(2,576)	(4,846)
Financial liabilities measured at amortised cost	(65,863)	(68,520)	(65,879)	(68,536)
	(68,439)	(73,366)	(68,455)	(73,382)

Financial liabilities measured at amortised cost comprise trade creditors, amounts owed to group undertakings, fixed rate senior on loans, and index linked senior on loans.

Financial liabilities measured at amortised cost comprise trade creditors, amounts owed to group undertakings, fixed rate senior on loans, index linked senior on loans, unsecured subordinated loan.

Derivative financial instruments measured at fair value through profit or loss comprise an RPI swap.

To mitigate the risks of inflation movements on future rental income of the Group impacting on the Group and Company's ability to service the fixed rate senior on loans, the Group has entered into an RPI swap with UPP Bond 1 Issuer plc, a fellow group company, which has entered into on –loan arrangements with the Group. The notional amounts swapped for each year has been determined with reference to a percentage of the fixed rate on loan servicing costs.

Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The fair value of these swaps is determined using discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves, spot and forward rates, as well as option volatility

The Group incorporates credit valuation adjustments to appropriately reflect both its own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. In adjusting the fair value of its derivative contracts for the effect of nonperformance risk, the Group has considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts, and guarantees.

The Group entered into the RPI swap on 5 March 2013, fixing a portion of the underlying rental income stream to 2.7%. The RPI swap is for a period of 27 years from March 2013, commencing in February 2015 and finishing in February 2040.

The Group does not apply hedge accounting for its derivative instrument as the criteria are not met under section 12 FRS 102. There was a gain of £2,271k during the year (2019: £1,698k loss) and was recognised in the Profit and Loss Account, reflecting the change in fair value of this RPI swap.

UPP (PLYMOUTH THREE) LIMITED

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

20. Share capital

	2020 £000	2019 £000
Authorised		
2,034,620 (2019 - 2,034,620) A Ordinary shares of £1.00 each	2,035	2,035
	<u> </u>	<u> </u>
Allotted, called up and fully paid		
2,033,419 (2019 - 2,033,421) A Ordinary shares of £1.00 each	2,033	2,033
	<u> </u>	<u> </u>

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

21. Reserves

Revaluation reserve

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

Profit and loss account

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

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

22. Prior year adjustment

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

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

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

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

As at 1 September 2018

- Decrease of £7,305k in the opening profit and loss from £2,256k (positive) to £5,049k (negative).

As at 31 August 2019

- Decrease of £8,229k in the profit and loss from £1,269k (positive) to £6,960k (negative) in year
- Decrease in debtors - financial instruments of £3,383k from £3,383k to £nil.
- Increase in creditors: amounts falling due after more than one year - financial instruments from £nil to £2,576k.
- Decrease in total profit and loss for the year ended 31 August 2019 from £925k to £1,849k due to the fair value movement of swaps changing from £774k loss to £1,698k loss.

UPP (PLYMOUTH THREE) LIMITED

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

23. Controlling party

The Group is wholly owned by UPP Bond 1 Limited, a wholly owned subsidiary of UPP Bond 1 Holdings Limited.

UPP Bond 1 Holdings Limited is a wholly owned subsidiary of UPP REIT Holdings Limited.

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

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

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

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

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

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