UPP REIT Holdings Limited

Condensed consolidated interim financial statements for the six months ended 28 February 2021

FINANCIAL STATEMENTS

Directors	Irina Frolova Henry Gervaise-Jones Elaine Hewitt Jingshen Hu Hendrik Huizing Robert McClatchey Andrew Wilkie
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Strategic report

The Directors present their report and financial statements for the six months ended 28 February 2021

Principal activity and business review

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

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

Despite the challenging operating conditions resulting from the impact of the COVID-19 pandemic, the results for the six months ended 28 February 2021 demonstrate the resilience of the UPP business model which delivers returns based on stable, long-term, RPI-linked revenues.

During the period the Company saw an increase in gross profit of £6.2 million (9.5%) to £71.3 million (2019/20: £65.1m). This was driven by the addition of new rooms to the portfolio and the later phasing of maintenance expenditure in the current year. The operational performance of the Group remained strong, given the impact of the COVID-19 pandemic, achieving 96.4% occupancy during the six months.

Ahead of the academic year 2020/21, UPP successfully reached practical completion on two new residences as part of the growth of our relationship with the University of Exeter. The £41.4 million Spreytonway and Moberly redevelopment and phase one of the £139.7 million East Park residences completed on programme and opened their doors during September 2020, enabling the University to accommodate almost 1,000 additional students on its Streatham Campus. Throughout the six-month period, construction has continued to programme on the second phase of East Park, which is on track for completion during September 2021. When the scheme is complete, UPP will be operating 4,156 rooms on the University's campus.

UPP began the year with a successful student intake across the portfolio, with all accommodation made COVID-19 secure and bespoke arrivals plans in place with each of our partners. As part of these preparations, the British Safety Council was invited to undertake an independent assessment of our COVID-19 secure arrangements for which an assurance statement of compliance was received.

In addition to making sure all accommodation has remained open, continuity of service has been maintained and students have been well looked after. UPP has absorbed all relevant costs associated with providing COVID-19 secure assurance and has invested more heavily in technology to support digitally enhanced student experience activities so that our remaining resident students are able to enjoy an immersive experience during their time on campus, despite the constraints. We continue to work with our partners to prioritise the safety and wellbeing of our residents and our teams, and to support students in self-isolation.

However, the pandemic has led to a challenging period for our relationships. As UPP contracts are heavily structured to maximise debt, minimise equity and limit risk to each SPV – maximising the financial benefit to our partners – UPP has very limited financial flexibility once debt service payments and operating costs have been discharged, to rebate rents. However, recognising the pressures face by our partners, the Company and the wider Group has had continuing discussions with partners and has outlined a package of options to mitigate, in part, rent waiver losses. Whilst there remains some uncertainty regarding how the situation will develop, at the time of writing, the Company can confirm that lettings for the academic year 2021/22 are in line with expectations.

The Group has continued its focus on the long-term strategic management of assets under operation and has advanced a full defects management programme across the portfolio. The Directors are reviewing opportunities for additional equity investment in the assets to further enhance the accommodation offering.

In terms of demand, despite the impact of the COVID-19 pandemic, UK higher education (HE) continues to see strong rates of growth both domestically and from overseas, with the UK remaining the most popular global destination for international students outside the United States.

For the academic year 2020/21, UCAS data as at 4 September 2020 (the end of Clearing) identified an overall increase in placed applicants of 4% year on year to 508,090. The 2020 clearing cycle proved to be a particularly active period following the adoption of centre assessed grades. A combination of the end of the first UK COVID-19 lockdown and more students in the system allowed many institutions to increase placed applicant numbers. Overall, this saw an increase in both UK and non-EU placed applicants of 4% and 7% respectively. There was, however, a 5% decrease in applicants placed from EU countries.

The most recent comparative applicant data for the UCAS 15 January 2021 deadline, suggests that both the impact of Brexit and COVID-19 has not materially diluted academic demand in the UK. Overall applicant numbers showed an increase of 8% to more than 616,000. Applicant numbers from the UK were up by 12%, an increase of +52,520, whilst applicants from outside the EU (excluding UK) increased by 17% (+12,530). EU student applicant numbers, post-Brexit, were down by 40%, the equivalent of 17,000 students. This was less than anticipated by sector modelling undertaken by the Higher Education Policy Institution (HEPI) and London Economics resulting in a net increase across the sector as whole of 48,000 extra applicants year on year.

An important element of the data has been the continuing increase in demand from 18-year-old applicants. UCAS data identifies that the application rate for this UK first-year cohort has been increasing consistently over the last decade increasing by more than 10 percentage points to 42.6% and for the 2021 applicant cycle increased again, by 3.1 percentage points year on year, higher than the 2 percentage points projected.

In terms of enrolments, the most recent data published by the Higher Education Statistics Agency (HESA), covering the academic year 2019/20, identifies that full-time student numbers increased by 74,925 to 2,015,320 (+3.9%). This means that over the last five years, the full-time total demand pool for accommodation has increased by 230,000 students, whilst new beds becoming operational has been circa 150,000. Total full-time first-year enrolment was also up by 58,000 year on year – a total of 140,000 extra on 2015/16.

Enrolments for full-time, first-year undergraduate students, which form the key demand pool for on-campus accommodation, were up 4.4% (+25,000) to 594,850, having witnessed sustained annual growth over the last five years. Growth in first-year postgraduate enrolments have proved stronger still and are up 33,000 year on year, and 90,000 on the academic year 2015/16. Over the period, this represents a 42.8% increase as more recognise the value of postgraduate qualifications in improving employability.

In terms of the longer-term market outlook, there continues to be strong evidence to suggest that demand both for UK HE and residential accommodation will continue. Demand modelling by HEPI to 2030 has identified that the demographic decline in 18-year-olds in the UK, which halted in 2019, will be followed by an increase in the young population of circa 23% during the next decade. This will lead to a minimum increase in demand for HE of 50,000 places on the basis of demography alone and up to 350,000 places assuming increases in participation.

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

Condensed consolidated statement of profit or loss

For the six months ended 28 February 2021

		Six months ended 28 February 2021	Six months ended 29 February 2020
	Note	£'000	£'000
Rental and other income	6	113,968	123,781
Cost of sales		(42,701)	(58,668)
Gross profit		**71,267**	**65,113**
Operating expenses		(38,987)	(34,160)
Operating profit		**32,280**	**30,953**
Finance income	7,3	**4,963**	**15,208***
Senior financing interest	8,3	(33,135)	(38,305)*
Other interest payable & similar charges	8	(1,585)	(1,558)
Finance cost total		**(34,720)**	**(39,863)**
Profit on ordinary activities before taxation		**2,523**	**6,298**
Tax on profit on ordinary activities		–	–
Profit for the financial period		**2,523**	**6,298**
Profit for the financial period attributable to:			
Non-controlling interests		(9)	(886)
Owners of the parent		2,532	7,184
Profit for the financial period		**2,523**	**6,298**

*Restated – during the financial year ended 31 August 2020 the Group has made several restatements of prior period, therefore the Condensed consolidated statement of profit or loss for the six months ended 29 February 2020 was restated accordingly. For further information refer to note 3.

The above results all relate to continuing operations.

The notes on pages 15 to 39 form part of these financial statements.

Condensed consolidated statement of other comprehensive income

For the six months ended 28 February 2021

	Six months ended 28 February 2021	Six months ended 29 February 2020
	£'000	£'000
Profit for the financial period	**3,123**	**6,298**
Items that will not be reclassified to profit and loss		
Reversal of deferred tax on revaluation of principal assets	-	-
	-	**-**
Items that are or may be reclassified subsequently to profit and loss		
Fair value movements on swaps	30,099	48,630*
	30,099	**48,630**
Total other comprehensive income for the period	**30,099**	**48,630**
Total comprehensive income for the period	**33,222**	**54,928**
Other comprehensive income for the period attributable to:		
Non-controlling interests	546	470
Owners of the parent	29,553	48,160
Total	**30,099**	**48,630**

Condensed consolidated statement of other comprehensive income (continued)

	Six months ended 28 February 2021	Six months ended 29 February 2020
	£'000	£'000
Total other comprehensive income for the period attributable to:		
Non-controlling interests	537	(416)
Owners of the parent	32,685	55,344
Total	**32,222**	**54,928**

Profit per share (in GBP)		
Basic	2.5	7.1
Diluted	2.5	7.1

*Restated – during the financial year ended 31 August 2020 the Group has made several restatements of prior period, therefore the Condensed consolidated statement of other comprehensive income for the six months ended 29 February 2020 was restated accordingly. For further information refer to note 3.

The notes on pages 15 to 39 form part of these financial statements.

Condensed consolidated statement of financial position

As at 28 February 2021

	Note	28 February 2021 £'000	31 August 2020 £'000
Assets			
Non-current assets			
Property, plant and equipment		6,203	1,969
Service concession arrangements – Intangible assets	9	1,620,320	1,624,505
Service concession arrangements – Financial assets		142,297	143,363
Other intangible assets		117,880	116,820
Financial assets		872	1,704
Derivative financial assets		1,135	965
Total non-current assets		**1,888,707**	**1,889,326**
Current assets			
Trade and other receivables	10	8,073	11,404
Service concession arrangements – Financial assets		-	-
Financial assets		1,600	1,500
Cash at bank and in hand	21	213,568	188,075
Total current assets		**223,241**	**200,979**
Total assets		**2,111,948**	**2,090,305**
Equity and liabilities			
Liabilities			
Non-current liabilities			
Borrowings	14	1,782,678	1,762,630
Derivative financial instruments	14	150,385	180,598
Employee benefit obligations		2,159	2,177
Total non-current liabilities		**1,935,222**	**1,945,405**

Condensed consolidated statement of financial position (continued)

	Note	28 February 2021 £'000	31 August 2020 £'000
Current liabilities			
Borrowings	14	24,942	39,087
Trade and other payables	12	2,704	14,828
Accrual and deferred income		61,183	36,046
Provisions		15	215
Total current liabilities		**88,844**	**90,176**
Total liabilities		**2,024,666**	**2,035,581**
Equity			
Called-up share capital		1,032	1,032
Share premium account		473,485	473,485
Capital reserves		23,428	23,428
Cash flow hedge reserve		-	(173,713)
Revaluation reserve		(144,160)	-
Retained earnings		(251,291)	(254,359)
Equity attributable to owners of the Parent Company		**102,494**	**69,873**
Non-controlling interest		(14,612)	(15,149)
Total equity		**87,822**	**54,724**

The notes on pages 15 to 39 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board on 25 June 2020 and were signed on its behalf by:

Henry Gervaise-Jones
Director

Condensed consolidated statement of changes in equity

For the six months ended 28 February 2021

	Attributable to equity holders of the Parent Company								
	Share capital	Share premium	Capital reserve	Other reserve	Cash flow hedge reserve	Retained earnings	**Shareholders' equity**	Non-controlling interest	**Total equity**
	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**	£'000	**£'000**
At 1 September 2019	**1,032**	**473,485**	**23,428**	**-**	**(200,094)**	**(255,061)**	**42,790**	**(14,869)**	**27,921**
Loss for the financial period	-	-	-	-	-	7,184*	**7,184**	(886)	**6,298**
Other comprehensive income	-	-	-	-	48,160*	-	**48,160**	470*	**48,630**
Total comprehensive income	-	-	-	**-**	**48,160**	**7,184**	**55,344**	**(416)**	**54,928**
Equity-settled share-based payments	-	-	-	-	-	(143)	**(143)**	-	**(143)**
At 29 February 2020*	1,032	473,485	23,428	**-**	**(151,934)**	**(248,020)**	**97,991**	**(15,285)**	**82,706**
At 1 September 2020	**1,032**	**473,485**	**23,428**	**-**	**(173,713)**	**(254,359)**	**69,873**	**(15,149)**	**54,724**
Loss for the financial period	-	-	-	-	-	**3,132**	**3,132**	(9)	**3,123**
Other comprehensive income	-	-	-	-	29,553	**-**	**29,553**	546	**30,099**
Total comprehensive income	**-**	**-**	**-**	**-**	**29,553**	**3,132**	**32,685**	**537**	**33,222**
Equity-settled share-based payments	-	-	-	-	-	**(64)**	**(64)**	**-**	**(64)**
At 28 February 2021	**1,032**	**473,485**	**23,428**	**-**	**(144,160)**	**(251,291)**	**102,494**	**(14,612)**	**87,882**

*Restated – during the financial year ended 31 August 2020 the Group has made several restatements of prior period, therefore the Condensed consolidated statement of changes in equity for the six months ended 29 February 2020 was restated accordingly. For further information refer to note 4.

The notes on pages 15 to 39 form part of these financial statements.

Condensed consolidated statement of cash flows

For the six months ended 28 February 2021

	Six months ended 29 February 2020	Six months ended 28 February 2019
	£'000	£'000
Profit/ (loss) for the financial period	**3,123**	**6,298**
Adjustments for:		
Tax on loss on ordinary activities	-	-
Net interest expense	29,757	24,655
Depreciation	18,475	17,350
Amortisation of service concession arrangements	563	59
Goodwill impairment	-	998
Amortisation of computer software	517	374
Operating profit	**52,435**	**49,734**
Increase / (decrease) in provisions for dilapidations	(200)	-
(Increase) / decrease in debtors due within one year	3,330	(2,910)
Increase / (decrease) in creditors due within one year	12,032	539
Net cash inflow from operating activities	**67,597**	**47,363**

Investing activities		
Interest received	4,680	3,993
Payments for intangible fixed assets	(37)	(589)
Payments for concession arrangements	(18,834)	(74,272)
Payments to acquire tangible fixed assets	(1,725)	(89)
Net cash flow used in investing activities	**(15,916)**	**(70,957)**

Condensed consolidated statement of cash flows (continued)

	Six months ended 29 February 2020	Six months ended 28 February 2019
	£'000	£'000
Financing activities		
New debt drawn	9,777	39,291
Interest paid	(12,290)	(24,945)
Senior debt repayments	(23,158)	(21,164)
Dividends paid	-	-
Finance lease payments	(517)	(1,385)
Interest received on finance receivables		
Capital contributions	-	-
Net cash flow used in financing activities	**(26,188)**	**(8,203)**
Increase/(decrease) in cash and cash equivalents	**25,493**	**(31,797)**
Cash and cash equivalents at 1 September	**188,075**	**231,351**
Cash and cash equivalents at 31 August	**213,568**	**199,554**

The notes on pages 15 to 39 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board on 25 June 2020 and were signed on its behalf by:

Henry Gervaise-Jones
Director

Notes to the condensed consolidated interim financial statements

For the six months ended 28 February 2021

1. General information

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

UPP REIT Holdings Limited is a private company limited by shares and incorporated on 18 April 2017 in Jersey, with company number 123688. The registered office is IFC 5, St. Helier, Jersey, JE1 1ST. These condensed consolidated interim financial statements ('interim financial statements') for the six months ended 28 February 2021 comprise the Company and its subsidiaries (together referred to as 'the Group').

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

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

2. Basis of preparation

These interim financial statements of the Group have been prepared in accordance with IAS 34 'Interim Financial Reporting' and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 August 2020 ('last annual financial statements'). They do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant with regard to any changes in the Group's financial position and performance since the last annual financial statements.

The accounting policies and methods of computation applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 August 2020.

These interim financial statements for the six months ended 28 February 2021 were authorised for issue by the Company's Board of Directors on 25 June 2021.

3. Restatement of prior periods

Derivatives valuation adjustment

During the financial year ended 31 August 2020 the Directors adjusted fair value of derivatives presented in prior periods for the effect of the entity's own non-performance risk and that of the respective counterparty's non-performance risk.

The restatement of prior period has been presented in the last annual financial statements. The impact of the change on statement of profit and loss and other comprehensive income for the six months ended 29 February 2020 has been presented below.

Effective interest rate calculation for one financial asset

During the financial year ended 31 August 2020 the Group's management have revised estimated cash flows used for effective interest rate calculation for one of the financial assets.

The restatement of prior period has been presented in the last annual financial statements. The impact of the change on statement of profit and loss and other comprehensive income for the six months ended 29 February 2020 has been presented below.

Consolidated statement of profit or loss and OCI

For the six months ended 29 February 2020

	As previously reported	Adjustments	As restated
	£'000		£'000
Finance income	**8,452**	**6,756**	**15,208**
Senior financing interest	(38,952)	647	(38,305)
Finance cost total	**(40,510)**	**647**	**(39,863)**
Profit / (Loss) for the financial year	**(1,105)**	**7,402**	**6,298**
Fair value movements on swaps	37,382	11,248	48,631
Total other comprehensive profit/(loss) for the year	**37,382**	**11,248**	**48,631**
Total comprehensive profit/(loss) for the year	**36,278**	**18,651**	**54,928**
Other comprehensive income for the year attributable to:			
Non-controlling interests	573	(103)	470
Owners of the parent	36,809	11,351	48,160
Total	**37,382**	**11,248**	**48,631**
Total other comprehensive income for the year attributable to:			
Non-controlling interests	(313)	(103)	(416)
Owners of the parent	36,590	18,754	55,344
Total	**36,278**	**18,651**	**54,928**
Profit / (Loss) per share (in GBP)			
Basic	7.1		(0.2)
Diluted	7.1		(0.2)

4. Judgements and key sources of estimation uncertainty

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

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

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

Estimates in relation to valuation of RPI and IR swaps

Derivatives are initially recognised at fair value at the date a derivative is entered into and are subsequently remeasured to their fair value at each reporting date.

Fair value estimates of derivatives are based on relevant market information and information about the financial instruments which are subjective in nature. The fair value of these financial instruments is determined using widely accepted valuation techniques including 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 non-performance risk and the respective counterparty's non-performance risk in the fair value measurements.

During the financial year ended 31 August 2020 the Group's management have revised approach to determine impact of non-performance risk including entity's own risk on fair value of derivatives. For further information refer to note 3.

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.

The Group has used a third-party expert to assist with valuing derivative instruments.

Estimates in relation to 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 CGU to which the asset belongs. The recoverable amount of an asset or CGU is the higher of its fair value less costs to sell and its value in use. If the recoverable amount is less than its carrying amount, the carrying amount of the asset is impaired and it is reduced to its recoverable amount through impairment in profit and loss unless the asset is carried at a revalued amount where the impairment loss of a revalued asset is a revaluation decrease.

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

Estimates in relation of defined benefit pension plan valuation

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

The below are in relation to key judgements made by management in the period:

Judgement of fair value level classification

Although the Group has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivatives utilise Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by itself and its counterparties. However, as of 28 February 2021, the Group has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustments are not significant to the overall valuation of its derivatives. As a result, the Group has determined that its derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy.

Judgement in hedge accounting for inflation swaps

The Group has chosen to apply hedge accounting for all hedging instruments which are in a qualifying hedging relationship under IFRS 9. Significant judgement is exercised in concluding that the forecasted cash flows that are hedged items are highly probable.

Also a judgement is exercised in relation to the fact, that future inflationary increases or decreases in rent receivable from university partners are separately identifiable and reliably measurable components of the rental income which ensures the inflation component of rental income and the related RPI swaps are in a hedging relationship which meets the qualifying criteria for hedge accounting under IFRS 9.6.9.1(c).

5. Segment information

For management purposes the Group is organised into business units based on their services and has three reportable segments as follows:

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

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

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

All segments operate and perform all transactions in the UK.

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

Segment information (continued)

	Note	SPVs	URSL	UPL	Total segments	Adjustments and eliminations	Consolidated
		£'000	£'000	£'000	£'000	£'000	£'000
Six months ended 28 February 2021							
Rental and other income – external		110,967	3,000	-	113,967	1	113,968
Rental and other income – internal	A	-	8,589	-	8,589	(8,589)	-
Cost of sales	B	(43,626)	(7,203)	(21)	(50,850)	8,149	(42,701)
Gross profit		**67,341**	**4,386**	**(21)**	**71,706**	**(439)**	**71,267**
Operating expenses	B	(14,278)	(3,081)	(1,053)	(18,412)	(19,975)	(38,387)
Operating profit		**53,063**	**1,305**	**(1,074)**	**53,294**	**20,414**	**32,880**
Finance income		**4,963**	**-**	**-**	**4,963**	**-**	**4,963**
Senior financing interest		(33,016)	-	-	(33,016)	(119)	(33,135)
Other interest payable and similar charges	C	(14,519)	-	-	(14,519)	12,934	(1,585)
Finance cost total		**(47,535)**	**-**	**-**	**(47,535)**	**12,815**	**(34,720)**
Segment profit/(loss) on ordinary activities before taxation		**10,491**	**1,305**	**(1,074)**	**10,722**	**7,599**	**3,123**
Tax on loss on ordinary activities		-	-	-	-	-	-
Segment profit/(loss) for the financial year		**10,491**	**1,305**	**(1,074)**	**10,722**	**7,599**	**3,123**
Total assets	D	2,132,617	34,959	4,487	**2,172,063**	(60,115)	**2,111,948**
Total liabilities	D	2,365,537	16,287	15,410	**2,397,234**	(373,168)	**2,024,066**

Segment information (continued)

	Note	SPVs	URSL	UPL	Total segments	Adjustments and eliminations	Consolidated
		£'000	£'000	£'000	£'000	£'000	£'000
Six months ended 29 February 2020							
Rental and other income – external		121,253	2,528	-	123,781	-	123,781
Rental and other income – internal	A	-	11,274	1,877	13,151	(13,151)	-
Cost of sales	B	(56,381)	(11,673)	(256)	(68,310)	9,642	(58,668)
Gross profit		**64,872**	**2,129**	**1,621**	**68,622**	**(3,509)**	**65,113**
Operating expenses	B	(15,101)	(1,166)	(999)	(17,266)	(16,894)	(34,160)
Operating profit		**49,771**	**963**	**622**	**51,356**	**(20,403)**	**30,953**
Finance income		**8,364**	**3**	**-**	**8,367**	**85**	**8,452**
Senior financing interest		(38,583)	-	-	(38,583)	(369)	(38,952)
Other interest payable and similar charges	C	(13,865)	-	-	(13,865)	12,307	(1,558)
Finance cost total		**(52,448)**	**-**	**-**	**(52,448)**	**11,938**	**(40,510)**
Segment profit/(loss) on ordinary activities before taxation		**5,687**	**966**	**622**	**7,275**	**(8,380)**	**(1,105)**
Tax on loss on ordinary activities		-	-	-	-	-	-
Segment profit/(loss) for the financial year		**5,687**	**966**	**622**	**7,275**	**(8,380)**	**(1,105)**
Total assets	D	2,056,730	29,879	2,341	**2,088,950**	27,265	**2,116,215**
Total liabilities	D	2,258,594	10,000	10,474	**2,279,068**	(268,915)	**2,010,153**
As at 31 August 2020							
Total assets		2,006,750	49,916	2,705	**2,059,371**	30,934	**2,090,305**
Total liabilities		2,276,549	32,136	12,555	**2,321,240**	(285,659)	**2,035,581**


Eleanor
Rosa
House

Segment information (continued)

Notes to the segment information:

A. Rental and other income

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

B. Cost of sales and operating expenses

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

C. Other interest payable and similar charges

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

D. Total assets and total liabilities

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

6. Turnover

Turnover represents the amounts derived from the provision of services, which fall within the Group's ordinary activities, stated net of value added tax.

The Group operates in four main areas of activity – that of the provision of student accommodation, construction services, the provision of facilities management services and management and development services.

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

	Six months ended 28 February 2021	Six months ended 29 February 2020
	£'000	£'000
Student accommodation rental income	96,724	91,166
Construction services	15,829	30,087
Management and development services	-	-
Facilities management services	1,416	2,528
	113,969	**123,781**

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

Turnover (continued)

	Note	SPVs	URSL	UPL	Total segments	Adjustments and eliminations	Consolidated
		£'000	£'000	£'000	£'000	£'000	£'000
Six months ended 28 February 2021							
Student accommodation rental income		95,138	-	-	95,138	-	95,138
Construction services		15,829	-	-	15,829	-	15,829
Management and development services – intragroup		-	-	-	-	-	-
Facilities management services		-	3,001	-	3,001	-	3,001
Facilities management services – intragroup		-	8,588	-	8,588	(8,588)	-
Total		**110,967**	**11,589**	**-**	**122,556**	**(8,588)**	**113,968**
Revenue as reported in Segments	5	110,967	11,589	-	122,556	(8,588)	113,968
Six months ended 29 February 2020							
Student accommodation rental income		91,166	-	-	91,166	-	91,166
Construction services		30,087	-	-	30,087	-	30,087
Management and development services – intragroup		-	-	1,877	1,877	(1,877)	-
Facilities management services		-	2,528	-	2,528	-	2,528
Facilities management services – intragroup		-	11,274	-	11,274	(11,274)	-
Total		**121,253**	**13,802**	**1,877**	**136,932**	**(13,151)**	**123,781**
Revenue as reported in Segments	5	121,253	13,802	1,877	136,932	(13,151)	123,781

Turnover (continued)

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

	28 February 2021	29 February 2020
Receivables, which are included in 'Trade and other receivables'	4,156	3,234
Contract assets, which are included in 'Service Concession Arrangements'	119,028	39,106
Contract liabilities, which are included in 'Accruals and deferred income'	(22,182)	(24,460)

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

The contract liabilities primarily relate to the advance consideration received from customers. This will be recognised as revenue when the service is provided and is expected to be recognised as revenue in next financial year. The whole amount of contract liability balance at the beginning of the period was recognised as revenue during the year.

The Group issues invoices for rental serviced to universities on regular basis as per agreement with university (which varies from quarterly to three times per year). The invoices for rental services are raised upfront for the period agreed with the universities. The payments are typically done within 1 month from the issuance of the invoice.

The Group issues invoices for facilities management services on a monthly basis after the services were performed. The payments are typically done within 1 month from the issuance of the invoice.

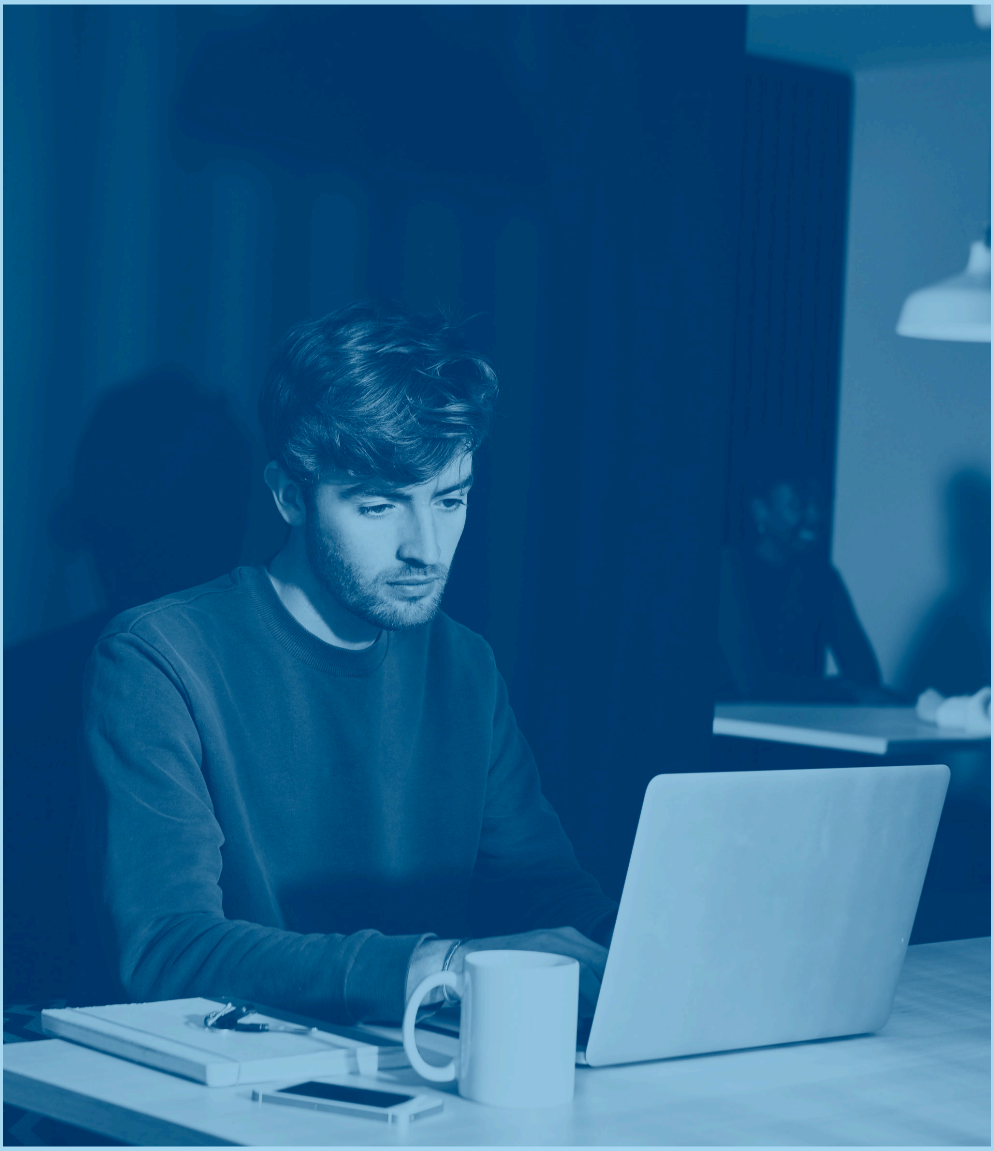
During the construction phase, the service concession grantor gives the Group non-cash consideration in the form of an intangible asset being a licence to charge users of the public service, in exchange for construction services. Therefore, there are no revenue cash flows or invoicing activities in relation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

7. Interest and similar income

	Six months ended 28 February 2021	Six months ended 29 February 2020
	£'000	£'000
Interest received on cash balances	213	264
Interest income on finance receivable	4,467	3,729
Finance gain on fair value movements on swaps	283	11,215
	4,963	**15,208**

8. Interest and similar expense

	Six months ended 28 February 2021	Six months ended 29 February 2020
	£'000	£'000
Financial liabilities measured at amortised cost		
Interest payable on senior secured notes	10,421	12,008
Interest payable on senior debt	17,114	17,679
Interest payable on index-linked facilities	5,600	9,265
Subordinated loan note interest	1,585	1,558
	34,720	**40,510**



9. Intangible assets – service concession arrangements

	Service concession arrangements	Assets in the course of construction	Total
	£'000	£'000	£'000
Cost			
At 1 September 2020	1,616,051	140,559	1,756,610
Additions	-	14,290	14,290
Transfer	39,738	(39,738)	-
At 28 February 2021	**1,655,789**	**115,111**	**1,770,900**
Amortisation			
At 1 September 2020	132,105	-	132,105
Charge during the year	18,475	-	18,475
At 28 February 2021	**150,580**	**-**	**150,580**
Net book value			
At 28 February 2021	**1,505,209**	**115,111**	**1,620,320**
At 1 September 2020	1,483,946	140,559	1,624,505
Cost			
At 1 September 2019	1,604,903	71,279	1,676,182
Additions	5,182	35,856	41,038
Transfer	71,279	(71,279)	-
At 29 February 2020	**1,681,364**	**35,856**	**1,717,220**
Amortisation			
At 1 September 2019	89,673	-	89,673
Charge during the year	17,350	-	17,350
At 29 February 2020	**107,023**	**-**	**107,023**
Net book value			
At 29 February 2020	**1,574,341**	**35,856**	**1,610,197**
At 1 September 2019	1,515,230	71,279	1,586,509

Included in intangible assets are properties being managed under service concession arrangements. Assets under construction are scheduled to become operational in September 2021. Additions in assets under construction comprise of all the costs incurred for asset construction during the financial year.

10. Leases

Property Plant and Equipment comprises owned and leased assets that do not meet the definition of investment property. The Group lease land and buildings for its office space.

Right-of use assets

	Property	Total
Balance at 1 September 2020	246	246
Additions	4,770	4,770
Depreciation charge	(514)	(514)
Balance at 28 February 2021	**4,502**	**4,502**

Lease liabilities maturity analysis – contractual undiscounted cash flows

	28 February 2021	31 August 2020
	£'000	£'000
Less than one year	287	175
One to five years	2,745	71
More than five years	1,715	-
Total undiscounted lease liabilities at 31 August	**4,747**	**246**

The lease for one office space runs for a period of 10 years and is due to commence in November 2021. In November the Group has started a new lease for its office space that has been recognised in lease liability as at this date. The other office lease runs for a period of 5 years.

Lease liabilities included in the statement of financial position

	28 February 2021	31 August 2020
	£'000	£'000
Current	534	175
Non-current	3,973	71
	4,507	**246**

Leases (continued)

Amounts recognised in profit or loss

	28 February 2021	31 August 2020
	£'000	£'000
Interest on lease liabilities	(8)	-
Depreciation charge	(514)	(603)

Amounts recognised in statements of cash flows

	Year ended 28 February 2021	Year ended 31 August 2020
	£'000	£'000
Total cash outflow for leases	(517)	(603)

11. Current trade and other receivables

	28 February 2021	31 August 2020
	£'000	£'000
Trade debtors	4,156	4,273
VAT recoverable	-	1,359
Prepayments and accrued income	3,917	5,772
	8,073	**11,404**

12. Current trade and other payables

	28 February 2021	31 August 2020
	£'000	£'000
Trade creditors	2,127	13,578
Other taxes and social security	229	-
VAT Payable	348	1,250
Accruals and deferred income	61,182	36,046
	63,887	**50,874**

13. Financial assets

	28 February 2021	31 August 2020
	£'000	£'000
Derivatives designated as hedging instruments		
Interest rate swaps		
RPI swaps	1,135	965
Derivatives not designated as hedging instruments		
RPI swaps	-	-
Financial assets at amortised cost		
Financial receivable – service concession arrangements	142,297	143,363
Financial assets		3,204
Trade and other receivables	4,156	4,273
Cash at bank and in hand	213,568	188,075
	361,156	**339,880**
Total current	217,724	192,348
Total non-current	143,432	147,532

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

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

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

14. Financial liabilities

	28 February 2021	31 August 2020
	£'000	£'000
Financial liabilities at amortised cost		
Senior secured notes	478,685	492,864
Senior debt	548,479	552,249
Senior index linked debt	654,307	644,330
Non-recourse bank debt finance	81,477	80,162
Secured subordinated loan notes	32,774	31,745
Trade and other payables	2,127	13,578
Derivatives designated as hedging instruments		
Interest rate swaps	136,138	163,710
RPI swaps	10,827	13,185
Derivatives not designated as hedging instruments		
RPI swaps	3,420	3,703
	1,948,233	**1,995,526**
Total current	27,069	52,665
Total non-current	1,921,164	1,942,861

15. Hedging activities and derivatives

Derivatives not designated as hedging instruments

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

Cash flow hedges

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

	28 February 2021		31 August 2020	
	£'000		£'000	
	Assets	Liabilities	Assets	Liabilities
IR swaps designated as hedging instrument	-	(146,965)	-	(163,710)
RPI swaps designated as hedging instrument	1,135	-	965	(13,185)
RPI swaps not designated as hedging instruments	-	(3,420)	-	(3,703)
	1,135	**(150,385)**	**965**	**(180,598)**

Hedging activities and derivatives (continued)

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

	28 February 2021	31 August 2020	31 August 2019
	£'000	£'000	£'000
Fair value of derivatives used for hedging			
Creditors: amounts falling due after one year	(146,966)	(176,894)	(202,765)
Debtors: amounts falling due after one year	1,135	965	-
Movement in fair value of derivatives used for hedging			
Recognised profit/(loss) through other comprehensive income:			
Owners of the Parent	29,644	(63,997)	(47,628)
Non-controlling interest	454	(915)	(908)
Fair value of derivatives not used for hedging			
Creditors: amounts falling due after more than one year	(3,420)	(3,703)	-
Debtors: amounts falling due after one year	-	-	(7,863)
Movement in fair value of derivatives not used for hedging			
Recognised profit through the income statement	283	4,160	(3,007)

16. Fair value measurement

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

	28 February 2021		31 August 2020	
	£'000		£'000	
	Book value	Significant observable inputs Level 2	Book value	Significant observable inputs Level 2
Financial assets				
Derivatives designated as hedging instruments				
RPI swaps	1,135	1,135	965	965
Derivatives not designated as hedging instruments				
RPI swaps	-	-	-	-
Financial assets at amortised cost				
Financial receivable – service concession arrangements	142,297	135,021	143,363	134,315
Financial assets – other			3,204	3,205
Trade and other receivables	4,156	*	4,273	*
Cash at bank and in hand	213,568	*	188,075	*
	361,156		**339,880**	

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

Fair value measurement (continued)

	28 February 2021		31 August 2020	
	£'000		£'000	
	Book value	Significant observable inputs Level 2	Book value	Significant observable inputs Level 2
Financial liabilities				
Borrowings				
Senior secured notes	478,685	475,534	492,864	484,237
Senior debt	548,479	540,245	552,249	545,026
Senior index-linked debt	654,307	589,475	644,330	599,057
Non-recourse bank debt finance	81,477	82,291	80,162	83,887
Secured subordinated loan notes	32,774	22,438	31,745	22,468
Derivatives designated as hedging instruments				
Interest rate swaps	136,138	136,138	163,710	163,710
RPI swaps	10,827	10,827	13,185	13,185
Derivatives not designated as hedging instruments				
RPI swaps	3,420	3,420	3,703	3,703
Financial liabilities at amortised cost				
Trade and other payables	2,127	*	13,578	*
	1,948,233		**1,995,526**	

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

16. 1. Valuation techniques and significant unobservable inputs

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

17. Reserves

Capital reserve

The £1,043k of capital contributions relate to benefits assigned by The Alma Mater Fund LP who retain the risks associated with the benefits. These have been received in cash and are non-refundable. As £16,037k relates to capital contributions made by the previous shareholders of the Group to fund the liabilities previously accrued under the long term incentivisation scheme are the contingent consideration that arose on the purchase of shares in UPP Projects Limited in 2008. All of these contributions have been received in cash and are non-refundable. £6,348k of the capital contributions relate to subordinated debt acquired by the group on September 2012 from Barclays European Infrastructure Fund II LP, again a previous shareholder.

Cash flow hedge reserve

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

Profit and loss account

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

18. Parent undertaking and controlling party

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

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

19. Related party transactions

As at 28 February 2021, the Directors consider that, during the year, Nottingham Trent University, the University of Reading, the University of London and the University of Hull are the only related parties of the Group by virtue of their shareholdings in the Company: UPP (Clifton) Holdings Limited, UPP (Byron House) Holdings Limited, UPP (Reading 1) Holdings Limited, UPP (Cartwright Gardens) Holdings Limited, UPP (Duncan House) Holdings Limited and UPP (Hull) Holdings Limited respectively.

During the six months ended 28 February 2021, the Group received an income of £5,693k (six months ended 29 February 2020: £7,775k) from Nottingham Trent University in respect of services provided by UPP (Clifton) Holdings Limited and UPP (Byron House) Holdings Limited.

During the six months ended 28 February 2021, the Group received an income of £16k (six months ended 29 February 2020: £134k) from University of Reading in respect of services provided by UPP (Reading I) Holdings Limited and incurred costs of £1,117k (six months ended 29 February 2020: £1,756k) in respect of services provided by the University of Reading and received income of £15,436k (six months ended 29 February 2020: £15,219k) in respect of services provided to the University.

During the six months ended 28 February 2021, the Group incurred costs of £184k (six months ended 29 February 2020: £124k) in respect of services provided by the University of London and received income of £8,329k (six months ended 29 February 2020: £8,051k) in respect of services provided by UPP (Cartwright Gardens) Holdings Limited and UPP (Duncan House) Holdings Limited.

During the six months ended 28 February 2021, the Group received income of £4,722k (six months ended 29 February 2020: £5,465k) in respect of services provided to the University of Hull.

20. Investments

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

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

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

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

Investments (continued)

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

21. Cash and cash equivalents

	28 February 2021	31 August 2020
	£'000	£'000
Cash at bank and in hand	175,210	138,777
Short-term deposits	38,358	49,298
Cash and cash equivalents	**213,568**	**188,075**

The cash and cash equivalents disclosed above and in the statement of cash flows include £204,581k as at 28 February 2021 (£133,006k as at 31 August 2020) of restricted cash. This cash is subject to be used only by SPVs in line with the service concession agreements and is therefore not available for general use by the other entities within the Group.

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