

UPP Bond 1 Limited

Annual Report and Financial Statements

Year Ended

31 August 2021

Company Number 08255705

UPP Bond 1 Limited

Company Information

Directors	E R Hewitt Intertrust Directors 1 Limited H Gervaise-Jones
Registered number	08255705
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 Bond 1 Limited

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UPP Bond 1 Limited

Strategic Report For the Year Ended 31 August 2021

Business review

The Company acts as an intermediate holding and financing company for the UPP Bond group.

The level of business of the subsidiaries, 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 2021 main scheme deadline identifies continued growth in demand of 4% overall or the equivalent of more than 29,220 extra applicants on the previous cycle.

This deadline saw applications from approximately 682,010 prospective students. Applicant numbers from the UK were up by 7%, a 37,600 increase on the 2020/21 cycle, however there was a decline in applicants from EU countries of 43%, the equivalent of 21,250 students. The number of applicants from outside the EU witnessed strong growth at 14%, an increase of 12,870 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 33.3% in 2012 to 40.5% in 2020. This figure increased again during the 2021 cycle to 43.3% of the 18-year-old population. This is positive news for the Company as this is by far the largest demand cohort for its accommodation.

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

UPP Bond 1 Limited

Strategic Report (continued) For the Year Ended 31 August 2021

Principal risks and uncertainties

Financial risk management objectives and policies

The Company uses various financial instruments including loans, cash and various items, such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Company's operations. All of the Company'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 to a number of financial risks, which are described in more detail below. The directors review and agree policies for managing each of these risks and they are summarised below.

Interest rate risk

Interest rates on these borrowings are fixed, therefore managing interest rate risk.

Liquidity risk

The Company 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.

Demand risk

The Company's subsidiaries are subjected to risks arising from occupancy voids and no nominations by the university partners which can lead to uncertain revenues. This risk is managed by maintaining 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 Company's subsidiaries are in the student market and reduced student numbers could impact upon financial performance. The Company's subsidiaries 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 Bond 1 Limited

Strategic Report (continued) For the Year Ended 31 August 2021

Financial key performance indicators

The Company's principal activity is that of a holding company providing funding to seven fellow group undertakings by way of short term loans and dividends. The performance of these group undertakings is critical to the ability of this company to service its own debt commitments.

These fellow group undertakings all provide student accommodation and use rental income received to service the cost of these on-loans.

The following are considered by the directors to be indicators of average performance of these fellow group undertakings that are not necessarily evident from the financial statements.

	2020/2021	2019/2020
Average Applications: Acceptance ratio	5.86:1	5.00:1
Average core demand pool (no. of students)	16,708	12,355

The indicators above are directly related to performance of the relevant university partners of these fellow group undertakings and any changes in these statistics may potentially affect the performance of that company and in turn, the economic viability of this company.

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

	2020/21	2019/20
Average occupancy across the facilities	97.2%	99.4%

The target occupancy level is 98-99%, as such the directors are satisfied that the noted above occupancy levels exceed tolerable limits for the recovery of credit extended to the Company. In addition, the Company met its on-loan obligations in the year.

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



.....
H Gervaise-Jones
Director

Date: 15 December 2021

UPP Bond 1 Limited

Directors' Report For the Year Ended 31 August 2021

The directors present their report and the financial statements for the year ended 31 August 2021.

Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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 enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Principal activity of the business

The Company's principal activity is of a holding company and financing company for its subsidiary undertakings.

Financial risk management objectives and policies

The Company's financial risk management objectives and policies are considered to be of strategic significance and are therefore detailed in the Strategic Report on page 2.

UPP Bond 1 Limited

Directors' Report (continued) For the Year Ended 31 August 2021

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 loss for the year, after taxation, amounted to £39,719k (2020 - £36,605k).

The directors did not declare any dividends for the year (2020 - £Nil).

Directors

The directors who served during the year were:

E R Hewitt
Intertrust Directors 1 Limited
H Gervaise-Jones

Future developments

The directors of the Company are not aware of the circumstances by which the principal activity of the Company would alter or cease.

Qualifying third party indemnity provisions

During the year and up to the date of this report, the Company maintained liability insurance and third-party indemnification provisions for its directors, under which the 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 Company.

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'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's auditor is aware of that information.

Prior year adjustment

A prior year adjustment has been made during the year, for further information please see note 18.

UPP Bond 1 Limited

Directors' Report (continued) For the Year Ended 31 August 2021

Post balance sheet events

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

Auditor

The auditor, KPMG LLP, will be proposed for reappointment as auditor of the Company in accordance with section 487 of the Companies Act 2006.

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



.....
H Gervaise-Jones
Director

Date: 15 December 2021

UPP Bond 1 Limited

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

Opinion

We have audited the financial statements of UPP Bond 1 Limited ("the Company") for the year ended 31 August 2021 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the 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 Company's affairs as at 31 August 2021 and of its loss 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 Company 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 Company or to cease its operations, and as they have concluded that 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 its 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").

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.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

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 above conclusions are not a guarantee that the Company will continue in operation.

UPP Bond 1 Limited

Independent Auditor's report to the members of UPP Bond 1 Limited (continued)

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud (“fraud risks”) we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of the directors and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Company's channel for “whistleblowing”, as well as whether they have knowledge of any actual, suspected or alleged fraud;
- Reading Board minutes;
- Considering remuneration incentive schemes and performance targets for management; and
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements.

On this audit we do not believe there is a fraud risk related to revenue recognition as the Company does not generate any revenue.

We did not identify any additional fraud risks.

We performed procedures including:

- identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior finance management and journal entries made to unrelated accounts; and
- assessing significant accounting estimates for bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards) and from inspection of the Company's regulatory and legal correspondence and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies' legislation), distributable profits and taxation legislation. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

UPP Bond 1 Limited

Independent Auditor's report to the members of UPP Bond 1 Limited (continued)

Fraud and breaches of laws and regulations – ability to detect (continued)

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations (continued)

Secondly, the Company is subject to many other laws and regulations where the consequences of noncompliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, employment laws, anti-bribery, other worker laws, recognising the nature of the Company's activities.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing noncompliance or fraud and cannot be expected to detect non-compliance with all laws or regulation.

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. 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

UPP Bond 1 Limited

Independent Auditor's report to the members of UPP Bond 1 Limited (continued)

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 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 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.

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, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

Date: 15 December 2021

UPP Bond 1 Limited

Statement of Comprehensive Income For the Year Ended 31 August 2021

	Note	2021 £000	As restated 2020 £000
Administrative expenses		(65)	(67)
Operating loss		(65)	(67)
Interest receivable and similar income	6	41	-
Interest payable and expenses	7,18	(42,605)	(37,375)
Loss before tax		(42,629)	(37,442)
Tax on loss	8	2,910	837
Loss for the financial year		(39,719)	(36,605)

There was no other comprehensive income for 2021 (2020 - £Nil).

The notes on pages 14 to 24 form part of these financial statements.

Prior year restatement is disclosed in note 18.

UPP Bond 1 Limited
Registered number: 08255705

Balance Sheet
As at 31 August 2021

		2021 £000	As restated 2020 £000
	Note		
Fixed assets			
Investments	9	237,282	237,282
Current assets			
Debtors	10	5,819	2,962
Cash at bank and in hand		31,586	22,162
		<u>37,405</u>	<u>25,124</u>
Creditors: amounts falling due within one year	11	(57,119)	(46,001)
Net current liabilities		<u>(19,714)</u>	<u>(20,877)</u>
Total assets less current liabilities		<u>217,568</u>	<u>216,405</u>
Creditors: amounts falling due after more than one year	12,18	(338,220)	(297,338)
Net liabilities		<u><u>(120,652)</u></u>	<u><u>(80,933)</u></u>
Capital and reserves			
Called up share capital	15	55,570	55,570
Profit and loss account	16,18	(176,222)	(136,503)
		<u><u>(120,652)</u></u>	<u><u>(80,933)</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



.....
H Gervaise-Jones
Director

Date: 15 December 2021

The notes on pages 14 to 24 form part of these financial statements.

Prior year restatement is disclosed in note 18.

UPP Bond 1 Limited

Statement of Changes in Equity For the Year Ended 31 August 2021

	Called up share capital £000	Restated Profit and loss account £000	Restated Total equity £000
At 1 September 2020 (as restated)	55,570	(136,503)	(80,933)
Loss for the year	-	(39,719)	(39,719)
At 31 August 2021	55,570	(176,222)	(120,652)

Statement of Changes in Equity For the Year Ended 31 August 2020

	Called up share capital £000	Profit and loss account £000	Total equity £000
At 31 August 2019 (as previously stated)	55,570	(19,865)	35,705
Prior year adjustment (note 18)	-	(80,033)	(80,033)
At 1 September 2019 (as restated)	55,570	(99,898)	(44,328)
Loss for the year (as restated)	-	(36,605)	(36,605)
At 31 August 2020 (as restated)	55,570	(136,503)	(80,933)

The notes on pages 14 to 24 form part of these financial statements.

Prior year restatement is disclosed in note 18.

UPP Bond 1 Limited

Notes to the Financial Statements For the Year Ended 31 August 2021

1. General information

UPP Bond 1 Limited is a private limited company incorporated in England, with company number 08255705. 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 financial statements are presented in Sterling (£), which is the Company'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 judgement in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A; and
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of UPP Bond 1 Holdings Limited as at 31 August 2021 and these financial statements may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

UPP Bond 1 Limited

Notes to the Financial Statements For the Year Ended 31 August 2021

2. Accounting policies (continued)

2.3 Going concern

Notwithstanding net current liabilities of £19,714k as at 31 August 2021 and a loss for the year then ended of £39,719k, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts through to 31 August 2023 which indicate that, taking account of reasonably possible downsides, the Company will have sufficient funds, through funding from its intermediate parent company, UPP Group Limited, to meet its liabilities as they fall due for that period.

Those forecasts are dependent on UPP Group Limited providing additional financial support during that period. UPP Group Limited has indicated its intention to continue to make available such funds as are needed by the Company for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

The directors have received a letter of support and confirmation from UPP Group Limited that financial support will be provided to the Company, such that it is able to meet its liabilities as they fall due, for a period of not less than twelve months from the date of approval of these financial statements.

2.4 Interest receivable

Interest receivable is recognised in profit or loss using the effective interest method.

2.5 Interest payable

Interest payable is charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.6 Taxation

Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

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

UPP Bond 1 Limited

Notes to the Financial Statements For the Year Ended 31 August 2021

2. Accounting policies (continued)

2.7 Investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.8 Debtors

Trade and other 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 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 is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.10 Creditors

Trade and other 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.

2.11 Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method.

2.12 Related party transactions

The Company is a wholly owned subsidiary of UPP Bond 1 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.

UPP Bond 1 Limited

Notes to the Financial Statements For the Year Ended 31 August 2021

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 Company'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:

Impairment of non-financial assets

The Company assesses at each reporting date whether an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If it is not possible to estimate the recoverable amount of the individual asset, the Company 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.

4. Auditor's remuneration

	2021 £000	2020 £000
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	8	7

The Company has taken advantage of the exemption not to disclose any amounts paid for non-audit services as these are disclosed in the group accounts of the parent company.

5. Employees

The Company has no employees other than the directors, who did not receive any remuneration (2020 - £Nil).

UPP Bond 1 Limited

Notes to the Financial Statements For the Year Ended 31 August 2021

6. Interest receivable and similar income

	2021 £000	2020 £000
Bank interest receivable	41	-

7. Interest payable and similar expenses

	2021 £000	As restated 2020 £000
Subordinated debts	42,605	37,375

Subordinated debts relate to interest on the unsecured loan notes with the Company's parent UPP Bond 1 Holdings Limited.

Prior year restatement is disclosed in note 18.

8. Taxation

	2021 £000	2020 £000
Corporation tax		
Adjustments in respect of previous periods	(2,910)	(837)
Total current tax	(2,910)	(837)
Taxation on loss on ordinary activities	(2,910)	(837)

UPP Bond 1 Limited

Notes to the Financial Statements For the Year Ended 31 August 2021

8. Taxation (continued)

Factors affecting tax credit for the year

The tax assessed for the year is higher than (2020 - lower than) the standard rate of corporation tax in the UK of 19.00% (2020 - 19.00%). The differences are explained below:

	2021 £000	As restated 2020 £000
Loss on ordinary activities before tax	(42,629)	(37,442)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2020 - 19.00%)	(8,100)	(7,114)
Effects of:		
Group relief	4	13
Non-taxable income	789	605
Adjustments in respect of prior years	-	2,072
Expenses not deductible for tax purposes	4,397	3,587
Total tax credit for the year	(2,910)	(837)

Factors that may affect future tax charges

UPP REIT Holdings Limited is a Real Estate Investment Trust ("REIT"). As a result, the Company no longer pays 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.

On 3 March 2021, it was announced that the UK corporation tax rate would increase to 25% from 1 April 2023, which was enacted in May 2021.

Prior year restatement is disclosed in note 18.

9. Fixed asset investments

	Investments in subsidiary companies £000
Cost	
At 1 September 2020	237,282
At 31 August 2021	237,282

UPP Bond 1 Limited

Notes to the Financial Statements For the Year Ended 31 August 2021

9. Fixed asset investments (continued)

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Class of shares	Holding
UPP (Alcuin) Limited	12 Arthur Street, London, EC4R 9AB	Ordinary	100%
UPP (Broadgate Park) Holdings Limited	12 Arthur Street, London, EC4R 9AB	Ordinary	100%
UPP (Kent Student Accommodation) Limited	12 Arthur Street, London, EC4R 9AB	Ordinary	100%
UPP (Nottingham) Ltd	12 Arthur Street, London, EC4R 9AB	Ordinary	100%
UPP (Oxford Brookes) Limited	12 Arthur Street, London, EC4R 9AB	Ordinary	100%
UPP (Plymouth Three) Limited	12 Arthur Street, London, EC4R 9AB	Ordinary	100%
UPP (Exeter) Limited	12 Arthur Street, London, EC4R 9AB	Ordinary	100%
UPP Bond 1 Issuer plc	12 Arthur Street, London, EC4R 9AB	Ordinary	100%
UPP (York) Limited	12 Arthur Street, London, EC4R 9AB	Ordinary	100%
UPP (Broadgate Park) Limited	12 Arthur Street, London, EC4R 9AB	Ordinary	100%
UPP (Gill Street) Limited	12 Arthur Street, London, EC4R 9AB	Ordinary	100%
UPP (Plymouth) Limited	12 Arthur Street, London, EC4R 9AB	Ordinary	100%
UPP (Plymouth Two) Limited	12 Arthur Street, London, EC4R 9AB	Ordinary	100%
UPP James Square Plymouth Limited	12 Arthur Street, London, EC4R 9AB	Ordinary	100%

UPP Bond 1 Limited

Notes to the Financial Statements For the Year Ended 31 August 2021

9. Fixed asset investments (continued)

Subsidiary undertakings (continued)

The aggregate of the share capital and reserves as at 31 August 2021 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 (Alcuin) Limited	28,328	1,879
UPP (Broadgate Park) Holdings Limited	14,279	527
UPP (Kent Student Accommodation) Limited	12,242	(1,562)
UPP (Nottingham) Ltd	16,785	1,583
UPP (Oxford Brookes) Limited	11,039	345
UPP (Plymouth Three) Limited	11,755	(6,100)
UPP (Exeter) Limited	20,015	5,938
UPP Bond 1 Issuer plc	5,343	(50)
UPP (York) Limited	1	-
UPP (Broadgate Park) Limited	628	154
UPP (Gill Street) Limited	1	-
UPP (Plymouth) Limited	1	-
UPP (Plymouth Two) Limited	1	-
UPP James Square Plymouth Limited	1	-

10. Debtors

	2021 £000	2020 £000
Amounts owed by group companies	2,909	2,909
Corporation tax receivable	2,910	-
Prepayments and accrued income	-	53
	5,819	2,962

The amounts owed by group undertakings are interest free and repayable on demand.

UPP Bond 1 Limited

Notes to the Financial Statements For the Year Ended 31 August 2021

11. Creditors: amounts falling due within one year

	2021 £000	2020 £000
Trade creditors	6	-
Amounts owed to group undertakings	57,048	45,943
Accruals	65	58
	<u>57,119</u>	<u>46,001</u>

The amounts owed to group undertakings are interest free and repayable on demand.

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

	2021 £000	As restated 2020 £000
Subordinated loan notes	338,220	297,338

Prior year restatement is disclosed in note 18.

13. Loans

The Company issued loan notes on 5 March 2013 to its parent company, UPP Bond Holdings Limited.

The loan notes are scheduled to be repaid by August 2057, with repayments commencing in August 2030, and bear an interest rate of 13.75%.

Additional loan notes of £21,308,582 were issued on 9 December 2014.

The additional loan notes are scheduled to be repaid by August 2051, with repayments commencing in August 2032, and bear an interest rate of 13.75%.

Analysis of the maturity of loans is given below:

	2021 £000	As restated 2020 £000
Amounts falling due after more than 5 years		
Subordinated loan notes	<u>338,220</u>	<u>297,338</u>

Prior year restatement is disclosed in note 18.

UPP Bond 1 Limited

Notes to the Financial Statements For the Year Ended 31 August 2021

14. Financial instruments

	2021 £000	As restated 2020 £000
Financial assets		
Financial assets measured at amortised cost	<u>34,494</u>	<u>24,235</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>(395,339)</u>	<u>(343,339)</u>

Financial assets measured at amortised cost comprise cash at bank and in hand and amounts owed by group undertakings.

Financial Liabilities measured at amortised cost comprise trade creditors, amounts owed to group undertakings, accruals and subordinated loan notes.

Prior year restatement is disclosed in note 18.

15. Share capital

	2021 £000	2020 £000
Authorised, allotted, called up and fully paid		
55,570,409 Ordinary shares of £1.00 each	<u>55,570</u>	<u>55,570</u>

The shares have attached to them full voting, dividend and capital distribution (including on winding up) rights; they do not confer any rights of redemption.

16. Reserves

Profit and loss account

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

UPP Bond 1 Limited

Notes to the Financial Statements For the Year Ended 31 August 2021

17. Controlling party

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

UPP Group 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.

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

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

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

18. Prior year adjustment

During the year the directors identified that the original effective interest rate used to discount the liability was calculated on expected rather than the full contractual cashflows. In addition, the effective interest rate was updated each year and used to calculate the amortised cost of the loan whereas the original effective interest rate should have been used, with the change in carrying value of the loan being recognised in profit and loss. The impact of this prior year adjustment has been summarised in the table below:

	Notes	2020 as previously reported £000	Adjustment £000	2020 restated £000
Statement of comprehensive income				
Interest payable	7	(18,518)	(18,857)	(37,375)
Balance sheet				
Creditors: amounts falling due after more than one year	12	(198,447)	(98,890)	(297,338)
Closing retained earnings		(37,613)	(98,890)	(136,503)

The prior year adjustment does not have an impact on total operating, investing and cash flows.