

UPP (Nottingham) Ltd

Annual Report and Consolidated Financial
Statements

Year Ended

31 August 2021

Company Number 04288837

UPP (Nottingham) Ltd

Company Information

Directors	H Gervaise-Jones M Swindlehurst
Registered number	04288837
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 (Nottingham) Ltd

Contents

	Page
Strategic Report	1 - 3
Directors' Report	4 - 6
Independent Auditor's Report	7 - 10
Consolidated Profit and Loss Account	11
Consolidated Statement of Comprehensive Income	12
Consolidated Balance Sheet	13
Company Balance Sheet	14 - 15
Consolidated Statement of Changes in Equity	16
Company Statement of Changes in Equity	17
Consolidated Statement of Cash Flows	18
Notes to the Financial Statements	19 - 43

UPP (Nottingham) Ltd

Strategic Report For the Year Ended 31 August 2021

Business review

The Group and the Company's principal activity is the operation of university accommodation and the provision of related facilities management under the University Partnerships Programme, in partnership with Nottingham Trent University.

The project comprises new build and estate transfer of 2,768 student residential accommodation bedrooms for Nottingham Trent University both within the city centre and at out of town locations.

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

Despite the considerable impact on UK higher education ('HE') wrought by the COVID-19 pandemic and the impact of Brexit, the sector has maintained its position as the leading global destination for students after the USA. UCAS applicant data issued following the 30 June 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 (Nottingham) Ltd

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

Principal risks and uncertainties

Financial risk management objectives and policies

The Company and the Group use various financial instruments including loans, inflation swaps, 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 and Group's operations. All of the Company's and Group's financial instruments are of sterling denomination and the Company and the Group do not trade in financial instruments or derivatives.

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

Interest rate risk

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

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

Inflation risk

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

Liquidity risk

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

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

Demand risk

The Company and the Group are subject to revenue risk arising from potential occupancy voids where no nomination is in place and counterparty credit risk where a nomination is in place from the university partner.

While the Company and the Group operate with the benefit of various contractual rights that support high levels of occupancy, the supply of purpose built student accommodation is increasing providing increased competition focussed on price, quality and location.

Portfolio risk

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

UPP (Nottingham) Ltd

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

Key performance indicators

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

	2020/21	2019/20
Applications : Acceptance ratio	4.9:1	4.9:1
Core demand pool (no. of students)	22,900	20,515

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

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

	2020/21	2019/20
Average occupancy across the facilities	100.0%	100.0%

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

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

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



.....
H Gervaise-Jones
Director

Date: 15 December 2021

UPP (Nottingham) Ltd

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 Group and the Parent Company 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 Group and the Parent Company 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 Group and the Parent Company and of the Group's profit or loss for that year. In preparing each of the Group and the Parent Company 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 Group and the Parent 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 Group or the Parent 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 Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its 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 Group and to prevent and detect fraud and other irregularities.

Financial risk management objectives and policies

The Group'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 (Nottingham) Ltd

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 Group 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 Group 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 Group 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 Group 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 note 2.4 in the Financial Statements.

Results and dividends

The profit for the year, after taxation, amounted to £1,583k (2020 - £2,771k).

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

Directors

The directors who served during the year were:

H Gervaise-Jones
M Swindlehurst
S Denton (resigned 10 March 2021)

Future developments

Occupancy for the 2021/22 financial year has been secured at 100% which has exceeded the directors' expectations.

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 and the Group's auditor is unaware; and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditor is aware of that information.

UPP (Nottingham) Ltd

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

Post balance sheet events

There have been no significant events affecting the Group and 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 (Nottingham) Ltd

Independent Auditor's report to the members of UPP (Nottingham) Ltd

Opinion

We have audited the financial statements of UPP (Nottingham) Ltd ("the Company") for the year ended 31 August 2021 which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheet, the Consolidated and Company Statements of Changes in Equity, the Consolidated Statement of Cash Flows and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 August 2021 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

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

In our evaluation of the directors' conclusions, we considered the inherent risks to the Group's business model and analysed how those risks might affect the Group and 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 Group or 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 Group or the Company will continue in operation.

UPP (Nottingham) Ltd

Independent Auditor's report to the members of UPP (Nottingham) Ltd (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 Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group'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;
- 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 Group management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as valuation of service concession arrangements and valuation of derivative financial instruments.

On this audit we do not believe there is a fraud risk related to revenue recognition because the Group's and Company's income primarily arises from contracts with universities with fixed periodic payments, and revenue is recognised over time but which is non-judgemental, straight forward and limited opportunity for manipulation.

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

UPP (Nottingham) Ltd

Independent Auditor's report to the members of UPP (Nottingham) Ltd (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 Group is subject to many other laws and regulations where the consequences of non-compliance 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: property laws and building legislation, health and safety, employment laws, anti-bribery, other worker laws, recognising the nature of the Group'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 non-compliance 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 by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

UPP (Nottingham) Ltd

Independent Auditor's report to the members of UPP (Nottingham) Ltd (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 Group and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.


Auditor's responsibilities

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

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

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 (Nottingham) Ltd

Consolidated Profit and Loss Account For the Year Ended 31 August 2021

	Note	2021 £000	2020 £000
Turnover	4	15,616	15,042
Cost of sales		(5,533)	(5,296)
Gross profit		10,083	9,746
Administrative expenses		(3,491)	(2,436)
Operating profit	5	6,592	7,310
Interest receivable and similar income	8	280	121
Interest payable and similar expenses	9	(5,254)	(4,626)
Other finance expenses		(35)	(34)
Profit before tax		1,583	2,771
Tax on profit	10	-	-
Profit for the financial year		1,583	2,771
Profit for the year attributable to:			
Owners of the Parent Company		1,583	2,771
		1,583	2,771

The notes on pages 19 to 43 form part of these financial statements.

The above results all relate to continuing operations.

UPP (Nottingham) Ltd

Consolidated Statement of Comprehensive Income For the Year Ended 31 August 2021

	Note	2021 £000	2020 £000
Profit for the financial year		1,583	2,771
Other comprehensive income, net of related tax effects			
Unrealised surplus on revaluation of tangible fixed assets	12	1,034	963
Fair value movement on swaps	18	(2,977)	3,172
Actuarial gain/(loss) on defined benefit schemes	21	231	(238)
Other comprehensive (loss)/income for the year		(1,712)	3,897
Total comprehensive income for the year		(129)	6,668
Total comprehensive income attributable to:			
Owners of the Parent Company		(129)	6,668
		(129)	6,668

The notes on pages 19 to 43 form part of these financial statements.

UPP (Nottingham) Ltd

Registered number:04288837

**Consolidated Balance Sheet
As at 31 August 2021**

	Note	2021 £000	2020 £000
Fixed assets			
Intangible assets	11	230	239
Tangible fixed assets	12	107,500	107,500
		<u>107,730</u>	<u>107,739</u>
Current assets			
Debtors	14	16,351	13,062
Cash at bank and in hand		774	652
		<u>17,125</u>	<u>13,714</u>
Creditors: amounts falling due within one year	15	(9,051)	(7,396)
Net current assets		<u>8,074</u>	<u>6,318</u>
Total assets less current liabilities		<u>115,804</u>	<u>114,057</u>
Creditors: amounts falling due after more than one year	16	(97,020)	(94,975)
Net assets excluding pension liability		<u>18,784</u>	<u>19,082</u>
Pension liability	21	(1,999)	(2,168)
Net assets		<u><u>16,785</u></u>	<u><u>16,914</u></u>
Capital and reserves			
Called up share capital	19	5,597	5,597
Revaluation reserve	20	21,263	20,313
Cash flow hedge reserve	20	(6,525)	(3,548)
Profit and loss account	20	(3,550)	(5,448)
		<u>16,785</u>	<u>16,914</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 19 to 43 form part of these financial statements.

UPP (Nottingham) Ltd

Registered number:04288837

**Company Balance Sheet
As at 31 August 2021**

	Note	2021 £000	2020 £000
Fixed assets			
Intangible assets	11	365	374
Tangible fixed assets	12	107,500	107,500
		107,865	107,874
Current assets			
Debtors	14	16,351	13,062
Cash at bank and in hand		774	652
		17,125	13,714
Creditors: amounts falling due within one year	15	(9,187)	(7,532)
Net current assets		7,938	6,182
Total assets less current liabilities		115,803	114,056
Creditors: amounts falling due after more than one year	16	(97,020)	(94,975)
Net assets excluding pension liability		18,783	19,081
Pension liability	21	(1,999)	(2,168)
Net assets		16,784	16,913
Capital and reserves			
Called up share capital	19	5,597	5,597
Revaluation reserve	20	21,263	20,313
Cash flow hedge reserve	20	(6,525)	(3,548)
Profit and loss account	20	(3,551)	(5,449)
		16,784	16,913

UPP (Nottingham) Ltd

Registered number:04288837

Company Balance Sheet (continued)

As at 31 August 2021

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 Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Profit and Loss Account in these financial statements. The profit after tax of the Parent Company for the year was £1,583k (2020 - £2,770k).

The notes on pages 19 to 43 form part of these financial statements.

UPP (Nottingham) Ltd

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

	Called up share capital	Revaluation reserve	Cash flow hedge reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 September 2020	5,597	20,313	(3,548)	(5,448)	16,914
Profit for the year	-	-	-	1,583	1,583
Actuarial gains on pension scheme	-	-	-	231	231
Transfer from revaluation reserve	-	-	-	84	84
Surplus on revaluation of tangible fixed assets	-	1,034	-	-	1,034
Fair value movements on swaps	-	-	(2,977)	-	(2,977)
Transfer to profit and loss account	-	(84)	-	-	(84)
At 31 August 2021	5,597	21,263	(6,525)	(3,550)	16,785

Where depreciation charges are increased following a revaluation, an amount equal to the increase is transferred annually from the revaluation reserve to the Profit and Loss account as a movement on reserves. The transfer for 2021 was £84k.

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

	Called up share capital	Revaluation reserve	Cash flow hedge reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 September 2019	5,597	7,828	(6,720)	(8,060)	(1,355)
Profit for the year	-	-	-	2,771	2,771
Actuarial losses on pension scheme	-	-	-	(238)	(238)
Transfer from revaluation reserve	-	-	-	79	79
Surplus on revaluation of tangible fixed assets	-	12,564	-	-	12,564
Fair value movements on swaps	-	-	3,172	-	3,172
Transfer to profit and loss account	-	(79)	-	-	(79)
At 31 August 2020	5,597	20,313	(3,548)	(5,448)	16,914

The notes on pages 19 to 43 form part of these financial statements.

Where depreciation charges are increased following a revaluation, an amount equal to the increase is transferred annually from the revaluation reserve to the Profit and Loss account as a movement on reserves. The transfer for 2020 was £79k.

UPP (Nottingham) Ltd

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

	Called up share capital	Revaluation reserve	Cash flow hedge reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 September 2020	5,597	20,313	(3,548)	(5,449)	16,913
Profit for the year	-	-	-	1,583	1,583
Actuarial gains on pension scheme	-	-	-	231	231
Transfer from revaluation reserve	-	-	-	84	84
Surplus on revaluation of tangible fixed assets	-	1,034	-	-	1,034
Fair value movements on swaps	-	-	(2,977)	-	(2,977)
Transfer to profit and loss account	-	(84)	-	-	(84)
At 31 August 2021	5,597	21,263	(6,525)	(3,551)	16,784

Where depreciation charges are increased following a revaluation, an amount equal to the increase is transferred annually from the revaluation reserve to the Profit and Loss account as a movement on reserves. The transfer for 2021 was £84k.

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

	Called up share capital	Revaluation reserve	Cash flow hedge reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 September 2019	5,597	7,828	(6,720)	(8,060)	(1,355)
Profit for the year	-	-	-	2,770	2,770
Actuarial losses on pension scheme	-	-	-	(238)	(238)
Transfer from revaluation reserve	-	-	-	79	79
Surplus on revaluation of tangible fixed assets	-	12,564	-	-	12,564
Fair value movements on swaps	-	-	3,172	-	3,172
Transfer to profit and loss account	-	(79)	-	-	(79)
At 31 August 2020	5,597	20,313	(3,548)	(5,449)	16,913

The notes on pages 19 to 43 form part of these financial statements.

Where depreciation charges are increased following a revaluation, an amount equal to the increase is transferred annually from the revaluation reserve to the Profit and Loss account as a movement on reserves. The transfer for 2020 was £79k.

UPP (Nottingham) Ltd

Consolidated Statement of Cash Flows For the Year Ended 31 August 2021

	2021 £000	2020 £000
Cash flows from operating activities		
Profit for the financial year	1,583	2,771
Adjustments for:		
Amortisation of intangible assets	9	9
Depreciation of tangible fixed assets	1,034	964
Interest payable	5,254	4,627
Interest receivable	(280)	(121)
(Increase)/decrease in debtors	(76)	293
Increase in amounts owed by group undertakings	(3,213)	(2,196)
Increase in creditors	1,524	328
Increase/(decrease) in amounts owed to group undertakings	159	(689)
Net cash generated from operating activities	5,994	5,986
Cash flows from investing activities		
Interest received	280	121
Net cash from investing activities	280	121
Cash flows from financing activities		
Repayment of loans	(2,007)	(1,853)
Interest paid	(4,145)	(4,222)
Net cash used in financing activities	(6,152)	(6,075)
Net increase in cash and cash equivalents	122	32
Cash and cash equivalents at beginning of year	652	620
Cash and cash equivalents at the end of year	774	652
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	774	652
	774	652

The notes on pages 19 to 43 form part of these financial statements.

UPP (Nottingham) Ltd

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

1. General information

UPP (Nottingham) Ltd is a private limited company incorporated in England, with company number 04288837. 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 Group has chosen to apply transitional relief under Section 35.10 (i) Service concession arrangements – Accounting By Operators, and as a result its tangible fixed assets which meet the definition of service concession arrangements under Section 34 but where the contract was entered into before the date of transition, will continue to be accounted for using the same accounting policies being applied at the date of transition to FRS 102.

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

The following principal accounting policies have been applied:

2.2 Basis of consolidation

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

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

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

UPP (Nottingham) Ltd

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

2. Accounting policies (continued)

2.3 Parent company disclosure exemptions

In preparing the separate financial statements of the Parent Company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- Only one reconciliation of the number of shares outstanding at the beginning and end of the period has been presented as the reconciliation for the Group and the Parent Company would be identical;
- No Statement of Cash Flows has been presented for the Parent Company;
- Disclosures in respect of the Parent Company's income, expense, net gains and net losses on financial instruments measured at amortised cost have not been presented as equivalent disclosures have been provided in respect of the Group as a whole; and
- No disclosures have been given for the aggregate remuneration of the key management personnel of the Parent Company as their remuneration is included in the totals for the Group as a whole.

2.4 Going concern

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

In preparing these financial statements, the directors have considered the impacts of the COVID-19 pandemic on the ability of the Group and the Company to continue as a going concern by preparing a cash flow forecast through to 31 August 2023, modelling a severe but plausible downside scenario which demonstrates that the Group and the Company are expected to have sufficient funds to meet their liabilities as they fall due over the period of 12 months from the date of approval of the financial statements.

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

For the 2021/22 academic year the Group has secured sufficient lettings to remain compliant with funding covenants. The directors anticipate that the Group's University counterparties will meet their payment obligations as they fall due even in the severe plausible downside and, as a result, revenue risk for the 2021/22 year is considered low. The directors consider that the Group's costs are reasonably controllable and while there are likely to be increased costs arising from any further changes to the operating practices to respond to COVID-19, these may be offset by cost savings elsewhere and are not sufficient to threaten the viability of the business.

The directors believe that the fundamentals of the market for student accommodation remain supportive to the long-term success of the business and while COVID-19 and similar risks have the potential to impact upon future years, the Group, universities, the Government and the public are likely to be better prepared for such events such that the impact is less severe than it was in 2021.

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

UPP (Nottingham) Ltd

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

2. Accounting policies (continued)

2.5 Turnover

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

2.6 Interest receivable

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

2.7 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.

2.8 Borrowing costs

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

2.9 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Group in independently administered funds.

Defined benefit pension plan

The Group operates a defined benefit plan for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including but not limited to age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The liability recognised in the Balance Sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the Balance Sheet date less the fair value of plan assets at the Balance Sheet date (if any) out of which the obligations are to be settled.

The defined benefit obligation is calculated using the projected unit credit method. Annually the Company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating to the estimated period of the future payments ('discount rate').

UPP (Nottingham) Ltd

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

2. Accounting policies (continued)

2.9 Pensions (continued)

Defined benefit pension plan (continued)

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the Group's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Remeasurement of net defined benefit liability'.

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:

- a) the increase in net pension benefit liability arising from employee service during the period; and
- b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in profit or loss as an 'other finance expense'.

2.10 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 and the Group operate and generate 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 (Nottingham) Ltd

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

2. Accounting policies (continued)

2.11 Intangible fixed assets

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

Goodwill attributed to the subsidiary undertaking is amortised on a straight line basis over the remaining lease period on the principal asset held by the Group. This period of amortisation is greater than 20 years but represents the period over which the subsidiary undertaking acquired will continue to generate operating cash flows.

The carrying amount of goodwill is allocated to the cash generating company acquired. The recoverable amount of the Company has been based on value in use calculations as at the date that the shareholding was acquired. These calculations have been based on a full year forecast, extrapolated over the remaining lease period using a 2.5% - 3.5% growth rate. The Group is not currently aware of any reasonable changes which would necessitate changes in its key assumptions.

2.12 Tangible fixed assets

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

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

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

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

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

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

2.13 Investments

Investments in subsidiaries are measured at cost less accumulated impairment.

UPP (Nottingham) Ltd

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

2. Accounting policies (continued)

2.14 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.

2.15 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.

2.16 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.

2.17 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, less any impairment losses.

2.18 Derivative financial instruments

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

To mitigate the impact of inflation movements on future rental income and the Group's ability to service the fixed rate senior loan notes, the Group has entered into inflation linked swaps ('RPI swaps') with UPP Bond 1 Issuer Plc, a fellow group undertaking. All derivative financial instruments are initially measured at fair value on the date the contract is entered into and subsequently re-measured to fair value at each reporting date. The gain or loss on re-measurement is taken to profit or loss in finance cost or finance income as appropriate, unless they are included in a hedging arrangement.

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

UPP (Nottingham) Ltd

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

2. Accounting policies (continued)

2.19 Hedge accounting

The Group applies hedge accounting for transactions entered into to manage the cash flow exposures of borrowings. The Group designates all its derivative financial instruments, which meet the qualifying conditions for hedge accounting, as cash flow hedges.

Inflation linked swaps are held to manage the Group's exposure to changes in RPI. The Group's rental income from student accommodation is linked to RPI and the swap contracts manage the exposure to RPI by swapping RPI annual rate changes with a fixed rate.

Changes in the fair values of derivatives designated as cash flow hedges, and which are effective, are recognised in other comprehensive income directly in the cash flow hedge reserve. Any ineffectiveness in the hedging relationship (being the excess of the cumulative change in fair value of the hedging instrument since inception of the hedge over the cumulative change in the fair value of the hedged item since inception of the hedge) is recognised in profit or loss.

The gain or loss recognised in Other Comprehensive Income is reclassified to the Profit and Loss Account when the hedge relationship ends. Hedge accounting is discontinued when the hedging instrument expires, no longer meets the hedging criteria, the forecast transaction is no longer highly probable, the hedged debt instrument is derecognised or the hedging instrument is terminated.

The Group has elected to adopt hedge accounting for all its swaps which meet the qualifying criteria for hedge accounting under Section 12 of FRS 102.

It is considered that the criteria to apply hedge accounting have been met.

2.20 Related party transactions

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

UPP (Nottingham) Ltd

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 Group's accounting policies. It also requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenses. However, the nature of estimation means that actual outcomes could differ from those estimates.

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

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

Revaluation of the principal assets (note 12)

The Group has adopted a policy to revalue the principal assets every five years with an interim valuation performed in year three of the cycle and in other years if there is evidence that the value has changed significantly. The Group engages independent valuation specialists to determine the fair value of the assets every five years, with a directors' valuation performed at any other interim period. The valuation technique employed by both the independent valuers and directors is based on a discounted cash flow model as there is a lack of comparable market data due to the specific nature of the property assets. The determined fair value of the principal assets is most sensitive to the estimated rental growth, discount rate, as well as the long term occupancy rates. The key assumptions used to determine the principal assets are further explained in note 12.

Goodwill (note 11)

The Group establishes a reliable estimate of the useful economic life of goodwill arising on business combinations. Goodwill attributed to subsidiary undertakings is amortised on a straight line basis over the remaining lease period on the principal asset held by each subsidiary. This period of amortisation represents the period over which each subsidiary undertaking acquired will continue to generate operating cash flows. For further details refer to note 11.

Valuation of RPI swaps (note 18)

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

UPP (Nottingham) Ltd

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

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

Pension liability (note 21)

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. Please refer to note 21 for further details.

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

Presentation of the principal asset (note 12)

Rent receivable is generated from the Group's interests in university accommodation. These interests fall within the scope of Section 34 of FRS 102. However, due to the transitional relief adopted in relation to service concession arrangements, the Group continues to account for all its principal assets applying the policies under the extant UK GAAP, FRS 5 (Application Note F).

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

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

Classification of index-linked financial instruments (note 18)

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

Hedge accounting for inflation swaps (note 18)

The Group has chosen to apply hedge accounting for all hedging instruments which are in a qualifying hedging relationship under FRS 102 Section 12. Significant judgement is exercised in concluding that future inflationary increases or decreases in rent receivable from university partners are separately identifiable and reliably measurable components of the rental income 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 Section 12. It is considered that the criteria to apply hedge accounting have been met.

UPP (Nottingham) Ltd

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

4. Turnover

Turnover represents income, on the basis of accounting policy 2.5, excluding VAT, attributed to the provision of student accommodation.

	2021 £000	2020 £000
Provision of student accommodation	15,616	15,042

All turnover arose within the United Kingdom.

5. Operating profit

The operating profit is stated after charging:

	2021 £000	2020 £000
Depreciation of tangible fixed assets	1,034	963
Amortisation of intangible assets, including goodwill	9	9

6. Auditor's remuneration

	2021 £000	2020 £000
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	16	15

Fees payable to the Group's auditor and its associates in respect of:

Fees payable to the Group's auditor for the audit of the Subsidiary's annual financial statements

1	-
---	---

UPP (Nottingham) Ltd

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

7. Employees

Staff costs were as follows:

	Group 2021 £000	Group 2020 £000
Wages and salaries	2,127	2,171
Social security costs	156	158
Cost of defined contribution scheme	221	112
	2,504	2,441

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

	Group 2021 No.	Group 2020 No.
Site managers	10	18
Administration, maintenance and cleaning	92	88
	102	106

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

8. Interest receivable and similar income

	2021 £000	2020 £000
Interest receivable from group companies	24	45
Bank interest receivable	256	76
	280	121

UPP (Nottingham) Ltd

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

9. Interest payable and similar expenses

	2021 £000	2020 £000
Interest payable on fixed rate on loans	3,495	3,281
Interest payable on index-linked on loans	1,759	1,345
	<u>5,254</u>	<u>4,626</u>

10. Taxation

There is no current or deferred tax charge in the current or prior year.

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2020 - lower than) the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

	2021 £000	2020 £000
Profit on ordinary activities before tax	<u>1,583</u>	<u>2,770</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	301	526
Effects of:		
Brought forward losses utilised in the year	(49)	(14)
Non-taxable income	(4)	(9)
Exempt property rental profits in the year	(248)	(503)
Total tax charge for the year	<u>-</u>	<u>-</u>

Factors that may affect future tax charges

UPP REIT Holdings Limited is a Real Estate Investment Trust ("REIT"). As a result, the Company and its subsidiaries no longer pay UK corporation tax on profits and gains from qualifying property rental business providing they meet 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. The effect of this change in the rate of UK corporation tax increased the deferred tax asset not recognised by £256k. A deferred tax asset of £7,700k (2020 - £7,956k) in respect of available tax losses has not been recognised at 31 August 2021.

UPP (Nottingham) Ltd

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

11. Intangible assets

Group

	Goodwill £000
Cost	
At 1 September 2020	357
At 31 August 2021	<u>357</u>
Amortisation	
At 1 September 2020	118
Charge for the year	9
At 31 August 2021	<u>127</u>
Net book value	
At 31 August 2021	<u><u>230</u></u>
At 31 August 2020	<u><u>239</u></u>

Goodwill arose on the acquisition of a UPP (Gill Street) Limited during the year ended 31 August 2008.

Goodwill is amortised on a straight line basis over the remaining lease period on the principal asset held which expires in 2048.

UPP (Nottingham) Ltd

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

11. Intangible assets (continued)

Company

	Goodwill £000
Cost	
At 1 September 2020	492
At 31 August 2021	<u>492</u>
Amortisation	
At 1 September 2020	118
Charge for the year	9
At 31 August 2021	<u>127</u>
Net book value	
At 31 August 2021	<u><u>365</u></u>
At 31 August 2020	<u><u>374</u></u>

Goodwill arose on the acquisition of a UPP (Gill Street) Limited during the year ended 31 August 2008.

Goodwill is amortised on a straight line basis over the remaining lease period on the principal asset held which expires in 2048.

UPP (Nottingham) Ltd

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

12. Tangible fixed assets

Group and Company

	Assets for use in operating leases £000
Valuation	
At 1 September 2020	107,500
At 31 August 2021	107,500
Depreciation	
At 1 September 2020	-
Charge for the year	1,034
On revalued assets	(1,034)
At 31 August 2021	-
Net book value	
At 31 August 2021	107,500
At 31 August 2020	107,500

UPP (Nottingham) Ltd

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

12. Tangible fixed assets (continued)

Fixed assets include borrowing cost up of £991k (2020 - £991k) which have been capitalised at 100%.

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

Assets used in operating leases were independently valued by Jones Lang LaSalle ("JLL"), chartered Surveyors, on an existing use basis as at 31 August 2020. JLL confirmed that the value as at that date was £107,500k.

Following an internal review of the assets used in operating leases, the directors have decided not to revalue the assets in the year ended 31 August 2021 as there was no indication of a significant change in values.

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

	2021
Discount rates	8.75%
Occupancy rates	99%
Long term annual rental growth	3.0%

Cost or valuation at 31 August 2021 is as follows:

	Assets for use in operating leases £000
At cost	94,630
At valuation:	
Revaluation as at 31 August 2020	12,870
	107,500

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

	2021 £000	2020 £000
Cost	94,630	94,630
Accumulated depreciation	(8,079)	(7,045)
Net book value	86,551	87,585

UPP (Nottingham) Ltd

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

13. Fixed asset investments

Subsidiary undertaking

The following was a subsidiary undertaking of the Company:

Name	Registered office	Class of shares	Holding
UPP (Gill Street) Limited	40 Gracechurch Street, London, EC3V 0BT	Ordinary	100%

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 undertaking were as follows:

Name	Aggregate of share capital and reserves	Profit/(Loss)
UPP (Gill Street) Limited	(135,000)	-

The investment amount is not material and therefore not disclosed separately on the face of balance sheet.

14. Debtors

	Group 2021 £000	Group 2020 £000	Company 2021 £000	Company 2020 £000
Trade debtors	18	-	18	-
Amounts owed by group undertakings	16,259	13,046	16,259	13,046
Prepayments and accrued income	74	16	74	16
	16,351	13,062	16,351	13,062

Included within amounts owed by group undertakings is a balance owed from UPP Bond 1 Issuer Plc of £2,910k (2020 - £3,169k) which is to fund a debt service reserve account held by UPP Bond 1 Issuer Plc that is sized to be adequate to cover the next six months of service costs of both tranches of the senior secured notes. This amount is reviewed every six months and increased or decreased accordingly. Interest receivable on these loans is calculated using the effective interest method which is different to the actual cash interest received at the rate the Company earns interest of 4.9% on the cash balances it holds.

The remaining amounts owed by group undertakings is an amount owed by UPP Bond 1 Limited. These balances are subject to a nominal interest rate of 4.9023% and the facilities expire in 2047. These amounts are due after one year but presented as current as permitted under FRS102.

UPP (Nottingham) Ltd

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

15. Creditors: amounts falling due within one year

	Group 2021 £000	Group 2020 £000	Company 2021 £000	Company 2020 £000
Fixed rate loans	1,979	2,007	1,979	2,007
Trade creditors	159	496	159	496
Amounts owed to group undertakings	2,545	2,386	2,680	2,521
Other taxation and social security	4	8	4	8
Accruals	4,364	2,499	4,365	2,500
	9,051	7,396	9,187	7,532

The amounts owed to group undertakings are owed to UPP Residential Services Ltd, are interest free and repayable on demand.

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

	Group 2021 £000	Group 2020 £000	Company 2021 £000	Company 2020 £000
Fixed rate loans	66,694	68,558	66,694	68,558
Index-linked on loans	23,800	22,868	23,800	22,868
Derivative financial instruments measured at fair value	6,526	3,549	6,526	3,549
	97,020	94,975	97,020	94,975

17. Loans

Secured on loans

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

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

UPP (Nottingham) Ltd

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

17. Loans (continued)

Secured on loans (continued)

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

	Amount	Interest rate	Maturity
Tranche A	79,425,000	Fixed rate at 4.9023%	28 February 2040
Tranche B	19,565,000	Index-linked at 2.7291%	31 August 2047

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

	Group 2021 £000	Group 2020 £000	Company 2021 £000	Company 2020 £000
Amounts falling due within one year				
Secured fixed rate on loans	1,979	2,007	1,979	2,007
	1,979	2,007	1,979	2,007
Amounts falling due 1-2 years				
Secured fixed rate on loans	2,010	1,648	2,010	1,648
	2,010	1,648	2,010	1,648
Amounts falling due 2-5 years				
Secured fixed rate on loans	7,684	5,840	7,684	5,840
	7,684	5,840	7,684	5,840
Amounts falling due after more than 5 years				
Secured fixed rate on loans	58,622	61,069	58,622	61,069
Secured index linked on loans	24,414	22,868	24,414	22,868
Contractual cash adjustment	(1,929)	-	(1,929)	-
	81,107	83,937	81,107	83,937
	92,780	93,432	92,780	93,432

Contractual cash adjustment includes unamortised debt issue costs and effective interest rate adjustments included to reconcile the above analysis to note 16.

UPP (Nottingham) Ltd

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

18. Financial instruments

	Group 2021 £000	Group 2020 £000	Company 2021 £000	Company 2020 £000
Financial assets				
Financial assets measured at amortised cost	17,051	13,698	17,051	13,698
Financial liabilities				
Derivative financial instruments measured at fair value	(6,526)	(3,549)	(6,526)	(3,549)
Financial liabilities measured at amortised cost	(99,545)	(96,323)	(99,681)	(96,458)
	(106,071)	(99,872)	(106,207)	(100,007)

Financial assets measured at amortised cost comprise trade debtors, cash and cash equivalents and amounts owed by group undertakings which are repayable on demand.

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

Derivative financial instruments measured at fair value through the Statement of Comprehensive Income comprise an RPI and an interest rate swap respectively.

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

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

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

UPP (Nottingham) Ltd

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

18. Financial instruments (continued)

At the Balance Sheet date, the fair value of this swap was £6,526k liability (2020 - £3,549k).

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

The Group applies hedge accounting for its derivative instrument as the criteria are met under section 12 FRS 102. A net hedging loss of £2,977k arose during the year (2020 - £3,172k gain) and was recognised in the Statement of Comprehensive Income, reflecting the change in fair value of this RPI swap.

19. Share capital

	2021 £000	2020 £000
Authorised, allotted, called up and fully paid		
5,596,747 Ordinary shares of £1 each	5,597	5,597

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.

20. Reserves

Revaluation reserve

The reserve is used to record the surplus or deficit arising on valuation of the principal asset of the Group.

Cash flow hedge reserve

The cash flow hedge reserve includes the fair value movements on the derivatives financial instruments.

Profit and loss account

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

UPP (Nottingham) Ltd

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

21. Pension commitments

The Group operates a defined benefit pension scheme.

Defined contribution scheme

The Group operates a defined contribution retirement benefit scheme for all qualifying employees. The total cost charged to the Profit and Loss Account of £110k (2020 - charge of £112k) represents a pre-determined amount of the employee's salary paid into the scheme. As at 31 August 2021 £Nil (2020 - £Nil) contributions remained outstanding.

Defined benefit scheme

Retirement benefits for 29 Group employees (2020 - 56) are provided by a defined benefit scheme which is funded by contributions by the employee and the Group. Payments are made to Nottinghamshire County Council Pension Fund ("NCCPF"). This is an independently administered scheme and contracted out of the State Earnings Related Pension Scheme.

Contributions are set every three years as a result of the actuarial valuation, the next being carried out at 31 March 2022 and will set contributions for the period from 1 April 2023 to 31 March 2026.

The material assumptions used by the Actuary at 31 August 2021 were:

	31 August 2021	31 August 2020
Rate of inflation	2.9%	2.35%
Rate of increase in salaries	3.9%	3.4%
Rate of increase in pensions	2.9%	2.4%
Discount rate for liabilities	1.7%	1.6%

Reconciliation of present value of plan liabilities:

	2021 £000	2020 £000
Reconciliation of present value of plan liabilities		
At the beginning of the year	5,529	5,328
Current service cost	75	69
Interest cost	85	94
Change in financial assumptions	378	284
Contributions	9	9
Estimated benefits paid net of transfers in	(119)	(185)
Change in demographic assumptions	(68)	(53)
Experience loss on defined benefit obligation	(115)	(17)
At the end of the year	5,774	5,529

UPP (Nottingham) Ltd

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

21. Pension commitments (continued)

Reconciliation of present value of plan assets:

	2021 £000	2020 £000
At the beginning of the year	3,361	3,446
Returns on assets less interest income	426	56
Interest on assets	52	61
Other actuarial losses	-	(80)
Contributions	57	64
Estimated benefits paid net of transfers in	(119)	(185)
Administration expenses	(2)	(1)
At the end of the year	3,775	3,361

	2021 £000	2020 £000
Fair value of plan assets	3,775	3,361
Present value of plan liabilities	(5,774)	(5,529)
Net pension scheme liability	(1,999)	(2,168)

	2021 £000	2020 £000
Current service cost	75	69
Interest on pension scheme liabilities	35	34
Total	110	103

Reconciliation of fair value of plan liabilities were as follows:

	2021 £000	2020 £000
Opening defined benefit obligation	154	(118)
Interest cost	35	34
Actuarial (gains)/losses	(231)	238
Closing defined benefit obligation	(42)	154

UPP (Nottingham) Ltd

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

21. Pension commitments (continued)

The cumulative amount of actuarial gains and losses recognised in the Consolidated Statement of Comprehensive Income was £35k (2020 - £34k).

The Group expects to contribute £Nil to its defined benefit pension scheme in 2022.

Principal actuarial assumptions at the Balance Sheet date (expressed as weighted averages):

	2021 %	2020 %
Discount rate	1.7	1.6
Future salary increases	3.9	3.35
Future pension increases	2.9	2.35
Mortality rates		
- for a male aged 65 now	21.6	21.8
- at 65 for a male aged 45 now	22.9	24.4
- for a female aged 65 now	24.3	23.2
- at 65 for a female member aged 45 now	25.7	25.9

The most recent triennial valuation of the Group's pension scheme for funding purposes has been performed as at 31 March 2019. The Group will monitor funding levels annually and the funding schedule will be reviewed between the Group and the directors every three years, based on actuarial valuations. The next triennial valuation is due to be completed at 31 March 2022 and will set contributions for the period from 1 April 2023 to 31 March 2026. The Group considers that the contribution rates agreed with the directors are sufficient to eliminate the current deficit over the agreed period.

UPP (Nottingham) Ltd

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

22. Controlling party

The Company's immediate parent undertaking is UPP Bond 1 Limited, whose immediate parent company is UPP Bond 1 Holdings Limited. The Parent Company of UPP Bond 1 Holdings Limited is UPP Group Limited. UPP Group Limited is a wholly owned subsidiary of UPP Group Holdings Limited.

UPP Group Holdings Limited is a wholly owned subsidiary of UPP REIT Holdings Limited.

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

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

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

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

The parent undertaking of the smallest group of which the Company is a member and for which Group accounts are prepared is UPP (Nottingham) Limited.