Registered No: 08255980

UPP Bond 1 Issuer plc
Annual report and financial statements

For the year ended 31 August 2023

UPP Bond 1 Issuer plc
Report and financial statements
for the year ended 31 August 2023

Contents

UPP Bond 1 Issuer plc
Directors and advisors

Directors	M Bamford S Boorne E Hewitt Intertrust Directors 1 Limited
Secretary	UPP Secretarial Services Limited
Auditor	KPMG LLP 15 Canada Square London E14 5GL
Registered office	1st Floor 12 Arthur Street London EC4R 9AB

UPP Bond 1 Issuer plc
Directors' report
for the year ended 31 August 2023

The directors present their report and financial statements for the year ended 31 August 2023.

Principal activity

The principal activity of UPP Bond 1 Issuer plc ("the Company") is that of a financing company. It is not expected that the role of the Company will change in the foreseeable future.

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 pages 5 to 15.

Dividend

The directors did not declare any dividends for the year (2022: nil).

Directors

The directors holding office during the year to 31 August 2023 and subsequently are:

- M Bamford – appointed on 3 October 2022
- S Boorne
- E Hewitt
- Intertrust Directors 1 Limited

Statement of directors' responsibilities in respect of the strategic report, the directors' report, and the financial statements

The directors are responsible for preparing the Directors' Report, the Strategic 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 the directors have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK General 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 and profit or loss of the company for that year. In preparing these financial statements, the directors are required to:

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

Statement of directors' responsibilities (continued)

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.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report, Directors' Report, and Corporate Governance Statement that complies with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website, www.upp-ltd.com/investor-centre. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company; and

- the strategic report includes a fair review of the development and performance of the business and the position of the issuer, together with a description of the principal risks and uncertainties that they face.

Disclosure of information to auditors

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Qualifying Third Party Indemnity

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.

Independent auditors

KPMG LLP was reappointed as auditor of the company during the year in accordance with section 487 of the Companies Act 2006.

In accordance with Section 489 of the Companies Act 2006, the auditor, KPMG LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

Corporate governance statement

The Company is ultimately responsible for maintaining sound risk management and internal control systems (including financial controls, controls in respect of the financial reporting process and controls of an operational and compliance nature).

The Company's internal control systems are implemented and reviewed from an effectiveness perspective on a group-wide basis, covering the parent company UPP Bond 1 Limited, ultimate parent company UPP REIT Holdings Limited, and its subsidiaries ("the Group"). The Company recognises the importance of corporate governance and its contribution to promoting the long-term success of the Group and has voluntarily adopted the Quoted Companies Alliance ('QCA'). The risk management systems and internal control systems are designed to meet the Group's needs and to manage the risks to which it is exposed. This system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss. UPP Group Holdings Limited is a parent company to UPP Bond 1 Issuer PLC and its board has overall responsibility for monitoring the Group's system of internal control and risk management and for carrying out a review of its effectiveness. In discharging that responsibility, the Board confirms that it has established the procedures necessary to apply the provisions of the Code, including clear operating procedures, lines of responsibility and delegated authority. These procedures are regularly reviewed, and business performance is managed closely, by the Group Executive Team as part of the normal good management of the business.

Risk oversight is the UPP Group Holdings Limited board's responsibility, with the Audit & Risk Committee monitoring the integrity of the financial reporting, reporting to the Board on any significant financial reporting issues or judgements contained therein. The Committee reviews the adequacy and effectiveness of the Group's internal controls and risk management practices implemented by management to effectively identify, assess, manage and control financial risks. The Committee also oversees the relationship with the external auditor and assesses a more detailed review of risks that might adversely affect the business' strategy, operations and legislative compliance.

Managing risk is fundamental if the Group is to protect its viability and deliver its strategic ambitions. It has embedded a risk management culture that identifies and mitigates current and emerging risks whilst exploring potential opportunities arising from new events. The Group's risk management processes have been refreshed and further aligned across the business to promote a joined-up approach to risk management with escalation and cascade of risks at all levels. Risk Champions have been allocated from functions and site level and attend a quarterly 'Risk Forum', where high level risks are cascaded down, emerging or compound risks escalated upwards and shared risks discussed. The Group's principal risk management systems comprise of a Top 25 risk register, escalated annually for Leadership Team consideration during strategic planning, the ELT Top 10 risk register reviewed monthly, and risk registers at functional and site level. To assist with this process, we have developed a Risk Management App, to ensure a consistent approach and ease of monitoring and reporting risks. This app also enables us to view the 'Risk Universe' of all identified risks across the business at any point in time.

On behalf of the Board

M Bamford
Director
12 December 2023

Results and review of the business

The Company was incorporated on 16 October 2012 and commenced trading on 5 March 2013.

On 5 March 2013 the Company issued £307,100,000 of fully amortising fixed rate senior secured notes and £75,000,000 of fully amortising RPI index-linked senior secured notes, listed on the Irish Stock Exchange. The proceeds of this issuance were on-lent on the same terms and conditions to six fellow group companies to enable them to refinance their senior bank facilities and associated costs.

On 9 December 2014 the Company issued £149,700,000 of fully amortising RPI index-linked senior secured notes, listed on the Irish Stock Exchange, ranking pari-passu with the initial senior notes. The proceeds of this issuance were on-lent to a sister company, UPP (Exeter) Limited, to enable that company to refinance its senior bank facilities and some associated costs, see note 11. During the year, the seven fellow group companies have continued to meet their obligations under the on-loan agreements.

The directors of the Company have chosen to adopt Financial Reporting Standard 102 - The financial reporting standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102') and these financial statements have been produced on that basis.

The Company's loss for the year is £2,045k (2022: profit £612k). It is not expected that the role of the company will change in the foreseeable future.

Principal risks and uncertainties

Financial risk management objectives and policies

The Company uses various financial instruments including equity, fixed rate and index-linked bonds, derivatives and cash. The main purpose of these financial instruments is to raise finance for the fellow group undertakings. 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.

Credit risk

Financial instruments which potentially expose the Company to credit risk consist primarily of cash and loans receivable from fellow group undertakings. Cash is deposited only with major financial institutions that satisfy certain credit criteria. The Company funds its financing activities through the provision of on-loan arrangements with seven fellow group undertakings. All payments due in the year under these on-loan arrangements were received.

Each fellow group company has an individual on-loan arrangement with the company, however under the Common Term Agreements there is a cross collateralisation agreement in place allowing the pooling of each of the bond participants surplus cash (after operating expenses and relevant on-loan debt service), which can be used to support any underperforming bond participants. Further information is included in note 13.

Liquidity risk

The Company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and debt servicing and by investing cash assets safely and profitably. The Company prepares annual cash flow forecasts reflecting known commitments and anticipated payments received from its on-loan arrangements. The Company has available cash flow from these on-loan arrangements to fund present commitments.

The maturity of borrowings is set out in note 13 to the financial statements.

Principal risks and uncertainties (continued)

Interest rate risk

The Company finances its operations through a mixture of equity and fixed rate and index-linked secured senior notes. Through the issue of fixed rate notes the Company has mitigated its exposure to interest rate fluctuations on that portion of its borrowings. The index-linked notes have a nominal fixed rate that is linked to RPI (see below). The funds raised from these instruments have been on-lent to fellow group undertakings under the same terms.

Inflation rate risk

The Company is financed through a mixture of fixed rate and index linked bonds which in turn have been on-lent to fellow group undertakings.

These fellow group undertakings all provide student accommodation and use rental income received to service the cost of these on-loans. Growth in rental income is linked to the movement in RPI and the fellow group undertakings manage the exposure to this index through a mix of inflation linked debt on-lent from this Company and the use of RPI swaps. The Company also has back-to-back external swaps which materially offset in fair value terms with the swaps with fellow group undertakings.

Demand risk

The Company is subject to the risk of one or more of the fellow group undertakings not being able to service the cost of their on-loan arrangement and consequently the Company defaulting on its own borrowings. These fellow group undertakings are subjected to risks arising from occupancy voids and no nominations by the university partners that can lead to uncertain revenues. This risk is managed by cementing relationships with the university, improved marketing of accommodation and improved third party revenues to compensate for any shortfalls in rental income. Additionally, there is a cross-collateralisation arrangement in place allowing the pooling of each of the bond participants' surplus cash, which can then be used to support any underperforming bond participants.

Portfolio risk

The assets of the fellow group undertakings are in the student market and any unexpected material decline in student numbers could impact upon financial performance and consequently the ability of these companies to repay loans made by the Company. These fellow group undertakings seek to mitigate this risk by building excellent long-term relationships with their university partners and ensuring up to date in depth market analysis is completed each year to enable each company to review its strategic position. The criteria with which the Group selects partners includes creditworthiness and a strong profile with which to attract students over the long term.

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 impact of the current inflationary environment on the ability of the Company to continue as a going concern by preparing a cash flow forecast through to 31 August 2025, modelling a severe but plausible downside scenario that demonstrates that the Company is expected to have sufficient funds to meet its obligations as they fall due over the period of at least 12 months from the date of approval of the financial statements.

The Company’s cash flows depend on other companies that operate within Bond I Holdings Limited group. A key feature of the contractual arrangements of those companies with the universities, is that the university counterparty bears the risk of in-year rental income collection once students have been contracted for the rooms. In addition, there are contractual mechanisms in place that allow for rental uplifts as a result of inflation.

Going concern (continued)

For the 2023/24 academic year, the companies within Bond 1 Holdings group have secured sufficient occupancy to remain compliant with their financial covenants. The directors anticipate that the Company's university counterparties will meet their payment obligations as they fall due, even in the severe but plausible downside scenario and, as a result, the risk around revenues leading to non-compliance with financial covenants for the 2023/24 and 2024/25 years remain low. The directors consider the Company's costs to be reasonably controllable and, whilst there are likely to be increased costs arising from inflationary pressures and geopolitical issues, these are either likely to be offset by cost savings elsewhere or not considered sufficient to threaten the viability of the business.

The directors believe that the fundamentals of the student accommodation market remain supportive of the long-term success of the business.

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

Climate Risk

The Board recognises the impact that its activities have on the natural environment and the likely impact of climate change. As part of its wider ESG strategy, the Company has committed itself to a high level vision of respecting the environment and positively contributing to the communities within which we work. Sustainability initiatives enhance the resilience of our assets and represent the responsible course of action both for the Company and our Stakeholders. Engaging with employees and our supply chain, the Company seeks to facilitate a positive contribution to the community. The Board remain mindful of the risks relating to climate change and continue to consider how it might mitigate these risks in its decision making. During the year the Group published its first annual Sustainability Report in accordance with Global Reporting Initiative standards, which can be found on its website at https://upp-ltd.com/sustainability/. Further details of the Company's approach to Climate Change can be found in the s.172 statement below.

Key performance indicators

The Company's principal activity is that of a financing company providing funding to seven fellow group undertakings by way of on-loan arrangements. The performance of these group undertakings is critical to the ability of this Company to service its own debt commitments.

The Company monitors the receipt of interest and loan repayments due on financing activities during the year.

	2023	2022
Interest income	18,043	17,992
Scheduled repayments of loans from fellow group undertakings for the year	14,507	13,444

The management doesn't use any Balance Sheet performance measures.

Section 172(1) Statement

The Companies (Miscellaneous Reporting) Regulations 2018 ('2018 MRR') require Directors to explain how they considered the interests of key stakeholders and the broader matters set out in section 172(1) (A) to (F) of the Companies Act 2006 ('S172') when performing their duty to promote the success of the Company under S172. This includes considering the interest of other stakeholders which will have an impact on the long-term success of the Company. The Company is a subsidiary of UPP REIT Holdings Limited ('UPP'), therefore the interests of key stakeholders are assessed at the group level. This S172 statement, explains how Directors of UPP REIT Holdings Limited ('UPP'):

- Have engaged with employees, suppliers, customers, regulators and others; and
- Have had regard to employee interests, the need to foster the Company's business relationships with suppliers, customers and others, and the effect of that, including on the principal decisions taken by the Company during the financial year.

The S172 statement focuses on matters of strategic importance to UPP and the level of information disclosed is consistent with the size and the complexity of the business.

General confirmation of Directors' duties

The Board of UPP has a clear framework for determining the matters within its remit and has approved Terms of Reference for the matters delegated to its Committees. Certain financial and strategic thresholds have been determined to identify matters requiring Board consideration and approval. The Schedule of Delegation sets out the approval process across the broader business.

When making decisions, each Director ensures that he/she acts in the way he/she considers, in good faith, would most likely promote the Company's success for the benefit of its members as a whole, and in doing so have regard (among other matters) to:

S172(1) (A) "The likely consequences of any decision in the long term"

The Directors understand the business and the evolving higher education environment within which the Company operates. Established in 1998, UPP operates a long-term partnership model which involves a high degree of alignment between the success of our university partners and the sector more generally. Directors understand that it is their responsibility to operate residential accommodation in a sustainable manner, not simply to ensure that the asset can revert to the university in good order at the end of each concession, but more widely because it seeks to reduce the impact of our activities on the natural environment and its resources, as well as the communities within which it operates. The Company operates in one sector only and it is within that context that it seeks to increase long-term value for shareholders, recognising that the long-term success of our business is dependent on our stakeholders and the external impact of our business activities on society.

The Directors recognise how our operations are viewed by different parts of society and that some decisions they take today may not align with all stakeholder interests, however, we seek to actively engage with our stakeholders and articulate the basis of our decision making.

S172(1) (B) "The interests of the Company's employees"

The Directors recognise that UPP employees are fundamental and core to our business and the delivery of our strategic ambitions. The success of our business depends on attracting, retaining and motivating employees. From ensuring that we remain a responsible employer, from pay and benefits to our health, safety and workplace environment and wider wellbeing, the Directors factor the implications of decisions on employees and the wider workforce, where relevant and feasible.

S172(1) (C) "The need to foster the Company's business relationships with suppliers, customers and others"

Delivering our strategy requires strong mutually beneficial relationships with our partners, customers, suppliers and Government. Our Business Code of Ethics has at its core our values – namely Sustainability, Partnership, Responsibility, Innovation and Community. Driven from the top of the business, the behaviours expected of all our teams are underpinned by our policies and working procedures which are, in turn, designed to guide us in how we act with integrity, judgement and good conscience. The Business Code of Ethics is reviewed by the Executive Leadership Team periodically and assessments are made of how and with whom we do business. We engage directly with our university partners through Board meetings of our Special Purpose Vehicles (SPVs) and through Partnership Board meetings. This provides the opportunities to discuss and assess the needs of customers in the context of the wider business strategy.

Directors receive information updates on a variety of topics that indicate and inform how these stakeholders have been engaged. More detail on our Business Code of Ethics can be found on the UPP website at https://www.upp-ltd.com/wp-content/uploads/2018/10/Our-Code-of-Business-Ethics.pdf

S172(1) (D) "The impact of the Company's operations on the community and the environment"

Sustainability sits at the heart of the UPP Business Strategy and the Company's values. Driven by the Executive Leadership Team, sustainability initiatives are a critical part of the operating model, enhancing the resilience of our assets and representing the responsible course of action both for the Company, our Shareholders - who have a long-term investment - and for wider society.

In the current year, the UPP Group published its first annual Sustainability Report, in accordance with Global Reporting Initiative standards, setting out our approach and commitments to people, place and plant. The Sustainability Report can be found here https://upp-ltd.com/sustainability/

In the prior year the UPP Group took the formal step to be accountable on its Net Zero carbon footprint, publicly committing to achieving this by 2035 using the Science Based Targets initiative. Furthermore the UPP Group continued to report under GRESB (the Global Real Estate Sustainability Benchmark). The Group also seeks to collaborate with our partner universities to share innovation and help them achieve their objectives, whilst engaging with employees and our supply chain will help facilitate a positive contribution to the communities within which we operate.

As part of the Company's wider Environmental, Social and Governance (ESG) activities, the impact of our operations is reviewed as an important element of the regular monthly meetings of the Executive Leadership Team and as part of quarterly meetings of the UPP Group Holdings Limited Board.

S172(1) (E) "The desirability of the Company maintaining a reputation for high standards of business conduct"

UPP has a vision to be the leading provider of campus accommodation working as a true partner to universities. Maintaining a reputation for high standards of conduct in a single sector represents a critical element to achieving this. All of the transactions undertaken by the Company are pursued on an open book basis and typically through tenders advertised on the GOV.UK Find a Tender service. All transactions are independently assessed on the basis of value for money and contract award notices (Standstill Letters) are open to challenge.

A clear framework of expectations in relation to business contact is in place and this is periodically reviewed and updated where required. These include published policies with respect to Anti-Bribery, Modern Slavery, Gifts and Hospitality and Code of Business.

The Board of UPP Group Holdings Limited, a parent of the Group (the UPP Board), is informed and monitors compliance with these policies and relevant governance standards help assure that the decisions that are taken promote high standards of business conduct.

S172(1) (F) "The need to act fairly as between members of the Company"

The Directors of the Company actively consider which course of action is most effective at delivering the UPP business strategy, after weighing all the relevant factors and with due consideration of the likely impact on stakeholders. In doing so, our Directors act fairly with the Company's members, with the UPP Board, which includes shareholder representatives, informed and consulted around key Company decision making to ensure that UPP business strategy is most effectively pursued.

Culture

The UPP Board recognises its critical role in assessing and monitoring that our desired culture – expressed in our values – is reflected in the attitudes and behaviours of our teams. Moreover, it understands its role in demonstrating these, both through the activities we pursue and stakeholder relationships. The Code of Business Ethics, Gifts and Hospitality and Anti-Bribery Policies help everyone at UPP to act in line with these values and comply with relevant laws and regulations.

UPP is committed to the health, safety and wellbeing of our teams and the Company has a broad ESG workstream designed to help protect people and the environment and the communities within which we work. We also strive to maintain a diverse and inclusive culture.

The UPP Board considers the Company's annual Speak Out employee survey to be one of its principal tools to measure employee engagement, motivation, affiliation and commitment to UPP. It provides insights into employee views and has a consistently high response rate. The Board also utilises this engagement to understand how survey outcomes are being leveraged to strengthen the culture and values of UPP. During the year the UPP Group launched a new Peakon quarterly engagement survey to frequently assess and respond to employee engagement. The UPP Group has an active and established Equality, Diversity and Inclusion network and is a member of Inclusive Employers, the UK's first and leading membership organisation for employers looking to build inclusive workplaces.

Stakeholder engagement (including employee engagement)

The UPP Board recognises the important role that UPP has to play in society and the Company as a member of the Group is deeply committed to public collaboration and stakeholder engagement. UPP only works in one sector – UK higher education – and in doing so also recognises that its interests align with many of the universities with which it works.

We have categorised our key stakeholders into six groups. Where appropriate, each group is considered to include both current and potential stakeholders:

a. Employees
b. Partners (Existing/Potential) and their students
c. Shareholders
d. Investors
e. Government, Regulators, Policy Bodies
f. Suppliers and Strategic Partners

The Company believes that it is critical that we work with all our stakeholders particularly given the ongoing changes taking place in how UK higher education is funded and delivered. The Board understands the importance of engagement with all of its stakeholders and gives appropriate weighting to the outcome of its decisions for the relevant stakeholder in weighing up how best to promote the success of the Company.

The Board regularly discusses issues concerning employees, university partners and their students, our shareholders, suppliers, sector regulators and the wider community and environment. This is performed on group-wide basis. It takes the needs of these stakeholders into account in its discussions and in its decision-making processes. In addition to this, the Board seeks to understand the interests and views of the Company's stakeholders by engaging with them directly when required. The below summarises the key stakeholders and how we engage with each on a group wide-basis:

Stakeholders	Engagement
Employees	Our employees are critical to the success of the Business. We aim to be a responsible employer in our approach to remuneration, paying a minimum of the Living Wage. We continue to engage with our teams across the country to ascertain which training and development opportunities should be made available to improve our productivity and to invest in the potential of individual employees. The Group has a well-established employee wellbeing programme which focuses not just on behavioural health and safety, but on the physical and emotional wellbeing of our teams. A wellbeing Portal is made available for all staff which provides a toolkit of resources, including a dedicated mental health helpline. We actively seek feedback from our teams and annual Performance and Development Reviews are used to ensure that a two-way dialogue on performance and development needs is maintained. A further approach taken is through our annual Speak Out employee survey. This allows the Board to assess the success of our engagement, and employee participation represents a parent company key performance indicator. During the year the UPP Group rolled out Peakon quarterly engagement surveys to frequently assess and respond to employee engagement. Feedback is also sought on the basis of monthly All-Team Video Conference calls with our Chief Executive Officer (CEO) and Executive Leadership Team. This provides an opportunity to share information with employees and a question and answer session enables any employee who wishes to join the call to ask any question to the CEO and the Executive Leadership Team. The Group seeks to create and inspire an inclusive culture with our intranet – Campus – which provides a platform for all our teams to share news and information across the Business. Our Wrap UPP weekly all-employee email enables us to share news, announcements and reminders with our employees, all in one place, as well as activities happening across UPP and ways that teams can get involved. As part of the UPP Foundation – the independent charity funded by the Group – employees are encouraged to support a charity of their choice and the Foundation will match fund chosen fundraising events decided by the UPP Gives employee fundraising committee. The Group has an established and active Equality, Diversity and Inclusion network and is a member of Inclusive Employers, the UK's first and leading membership organisation for employers looking to build inclusive workplaces. The Group continues to find new ways of encouraging our teams to have a voice.

Stakeholders	Engagement
Partners (existing/potential)	Partnership is one of the Group values and sits at the core of everything we do. The UPP model is based exclusively on establishing long-term relationships with UK universities to develop on-campus infrastructure utilising long dated bond debt in the form of publicly listed bonds or private placements. As a direct result of this long-term model, the interests of the Group and our university partners – and indeed the wider sector – are closely aligned. The Group seeks to engage with its partners on multiple levels. Typically, the Group will hold relationships at both senior and operational levels and on a variety of frequencies – day-to-day operational contact, as well as more formal pre-arranged meetings. These include Partnership Board Meetings and formal special purpose vehicle (SPV) Board meetings depending on the specifics of each Project Agreement. In the case of the latter, these allow for engagement on the key risks facing each company and will have set agenda. The Group has a dedicated function for engaging with our university partners which employs Partnership Directors and is responsible for the long-term strategic management of the assets and relationships. We discuss all investment decisions with our partners and seek their input on a regular basis. We have implemented a governance framework including our Code of Business Ethics and policies on Anti-Bribery and Gifts and Hospitality.
Shareholders	The Board seeks to behave in a responsible manner towards both of its shareholders. It communicates information relevant to its shareholders on a regular basis and provides opportunities for shareholders to engage with its Executive Leadership Team. Such opportunities include quarterly Board Meetings, Investment Committees and other Committees of the Board (e.g. Remuneration, Audit and Risk).
Investors	The Group seeks to communicate with investors in a transparent manner and on a regular basis. In addition to fulfilling its reporting obligations for its listed entities on an annual and half-yearly basis, the Group seeks to provide investors with regular trading updates and information relating to demand for its assets. In the case of UPP Bond 1 Issuer Plc, it also communicates with investors via a Monitoring Advisor who annually reviews the performance of the assets and administers Group requests of investors and any relevant voting matters. The senior management of the UPP Group make themselves available to individual investors where information on a variety of topics is requested.

Stakeholders	Engagement
Government, Regulators, Policy Bodies	The Group works in one sector only, and this means that establishing a good relationship with the sector regulator – the Office for Students (OfS) – is vital. The Group has a well-developed public affairs strategy and engages with Senior Officers of the OfS both on a corporate basis but also through the UPP Foundation, the independent charity established and majority-funded by the Group. We work with Government – most frequently the Department for Education – on matters of accommodation policy and student experience. This is a proactive, transparent and reciprocal relationship to share best practice. It is the intention of the Group to behave responsibly and to ensure that the management team operates the business in a responsible manner, acting with the high standards and good governance expected by the wider higher education sector and Government. In doing so, we believe we will achieve our long-term business strategy and further develop our reputation in the sector. We have a risk and control framework to ensure that the Group complies with all legal and regulatory requirements relating to the provision of accommodation for students. This includes complying with relevant accredited network codes of practice. In our public affairs work, we also have close relationships with leading sector policy bodies such as Universities UK and the Higher Education Policy Institute. This enables us to understand the longer-term risks and issues to the sector and engage in future policy making.
Suppliers	The Group works with a wide range of suppliers in the UK and elsewhere. We remain committed to being fair and transparent in our dealings with all of our suppliers. The Group has procedures requiring due diligence of suppliers as to their internal governance including, for example, their anti-bribery and corruption practices, data protection policies and modern slavery matters. The Group has systems and processes in place to ensure suppliers are paid in a timely manner.

On behalf of the Board

M Bamford
Director
12 December 2023

KPMG

Independent auditor's report

to the members of UPP Bond 1 Issuer plc

1. Our opinion is unmodified

We have audited the financial statements of UPP Bond 1 Issuer plc ("the Company") for the year ended 31 August 2023 which comprise the Statement of comprehensive income, Statement of financial position, Statement of changes in equity, Statement of cash flows, and the related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of Company's affairs as at 31 August 2023 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 as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Overview		
Materiality: financial statements as a whole	£5.52m (2022:£5.49m) 1% (2022: 1%) of Total Assets	
Key audit matters		**2023 vs 2022**
Recurring risks	Valuation of derivative financial instruments	◀▶

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matter is as follows:

Key audit matter	The risk	Our response
Valuation of derivative financial instruments Derivative financial assets of £47.8 million (2022: £51.8m) Derivative financial liabilities of £47.4 million (2022: £51.2m) *Refer to pages 27 (accounting policy) and pages 32, 34 and 39 (financial disclosures)*	**Subjective valuation and quality of disclosure** The Company entered into derivative financial instruments, being RPI swaps, to manage its exposure to RPI market fluctuations. These swaps are 'back-to-back'; the Company has external swaps, which are materially offset, in fair value terms, with swaps with its fellow group undertakings. The RPI swaps were valued at 31 August 2023 by an external valuer, Chatham Financials. The valuations of the swaps are based on market movements that can fluctuate in the year. The fair value is based on subjective assumptions with regards to the RPI inflation curves used to discount the underlying cash flows. The selection of inflation curves is judgemental. The Company also incorporates debt and credit valuation adjustments (CVA/DVA) to appropriately reflect both its own non-performance risk and the respective counterparty's non-performance risk respectively in the fair value measurements of the swaps, which are subjective in nature. The effect of these matters is that, as part of our risk assessment, we determined that the valuation of derivative financial instruments has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole.	**Our procedures included:** With the assistance of our valuation specialists, our procedures included: — **Assessing valuer's credentials:** We assessed the competence and capabilities of Chatham Financial (the external valuers) by considering their qualifications and market experience. — **Independent reperformance:** Our specialists performed independent valuation of the fair value of swaps using firm proprietary methodology. Independent testing over the CVA/DVA calculation was performed using the Monte Carlo simulation with various scenarios. — **Assessing transparency:** We assessed the adequacy of the company's disclosures about the degree of estimation involved in arriving at the valuation of the derivatives.

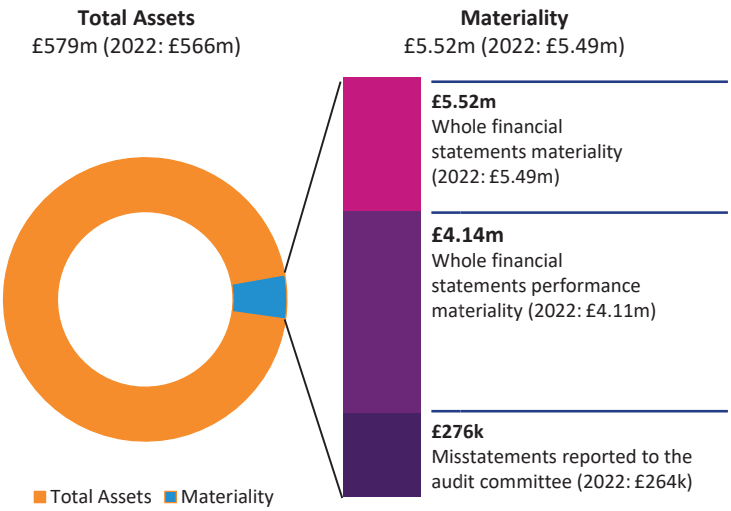
3. Our application of materiality and an overview of the scope of our audit

Materiality for the financial statements as a whole was set at £5.52m (2022: £5.49m), determined with reference to a benchmark of total assets, of which it represents 1% (2022: 1%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole. Performance materiality was set at 75% (2022: 75%) of materiality for the financial statements as a whole, which equates to £4.14m (2022: £4.11m). We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £276k (2022: £274k), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality level specified above and was performed by a single audit team.



4. 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").

We used our knowledge of the Company, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

The risks that we considered most likely to adversely affect the Company's available financial resources and metrics relevant to debt covenants over this period were:

- Reduction in collection of interest and capital repayments from fellow group companies affecting the Company's ability to meet the interest and capital repayments to the bond investors; and
- Ability to comply with loan covenants that are based on debt service cover ratios of the fellow group companies, taking into consideration the cross-collaterisation arrangements.

We considered whether these risks could plausibly affect the liquidity or covenant compliance in the going concern period by assessing the degree of downside assumption that, individually and collectively, could result in a liquidity issue, taking into account the Company's current and projected cash and facilities (a reverse stress test).

We considered whether the going concern disclosure in note 1(b) to the financial statements gives a full and accurate description of the Directors' assessment of going concern, including the identified risks, dependencies, and related sensitivities.

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.

5. 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;
- 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 such as valuation of derivative financial instruments.

On this audit we do not believe there is a fraud risk related to revenue recognition because the Company's income primarily arises from periodic interest payments from fellow group undertakings, and revenue is recognised using the effective interest method 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 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 legislation, taxation legislation. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company 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 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 non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

6. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information 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 other information.

Strategic report and directors' report

Based solely on our work on the other information:

— 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.

7. We have nothing to report on the other 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 Company, 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.

8. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 2, the directors are responsible for: the preparation of the financial statements including 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.

9. 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

12 December 2023

KPMG

UPP Bond 1 Issuer plc
Statement of comprehensive income
for year ended 31 August 2023

	Notes	2023 £'000	2022 £'000
Other operating income		1	1
Operating profit		**1**	**1**
Interest receivable and similar income	4	51,838	66,187
Interest payable and similar charges	5	(53,884)	(65,576)
(Loss)/profit on ordinary activities before taxation		**(2,045)**	**612**
Tax on (loss)/profit on ordinary activities	6	-	-
(Loss)/profit for the year attributable to owners of the parent		**(2,045)**	**612**
Total comprehensive (loss)/profit for the year attributable to owners of the parent		**(2,045)**	**612**

The above results all relate to continuing operations.

The notes on pages 25-41 form part of these financial statements

UPP Bond 1 Issuer plc
Statement of financial position
as at 31 August 2023

	Notes	2023 £'000	2022 £'000
Fixed assets			
Investments – loans to group undertakings	8	496,051	480,893
Current assets			
Debtors: due within one year	7	15,612	14,492
Debtors: due after more than one year	8	47,770	51,753
Cash at bank		19,721	18,670
		83,103	**84,915**
Creditors: amounts falling due within one year	9	(31,772)	(27,771)
Net current assets		**51,331**	**57,144**
Creditors: amounts falling due after more than one year	10	(543,472)	(532,082)
		3,910	**5,955**
Share capital and reserves			
Called up share capital	12	50	50
Capital contributions		6,580	6,580
Accumulated losses		(2,720)	(675)
		3,910	**5,955**

The financial statements were approved by the board and authorised for issue on 12 December 2023 and were signed on its behalf by:

S Boorne
Director
12 December 2023

M Bamford
Director
12 December 2023

Registered no: 08255980

The notes on pages 25-41 form part of these financial statements.

UPP Bond 1 Issuer plc
Statement of changes in equity
as at 31 August 2023

	Share Capital	Capital contributions	Accumulated loss	Total
	£'000	£'000	£'000	£'000
At 1 September 2022	50	6,580	(675)	**5,955**
Total comprehensive loss for the year	-	-	(2,045)	**(2,045)**
Balance at 31 August 2023	**50**	**6,580**	**(2,720)**	**3,910**

	Share Capital	Capital contributions	Accumulated loss	Total
	£'000	£'000	£'000	£'000
At 1 September 2021	50	6,580	(1,287)	**5,343**
Total comprehensive income for the year	-	-	612	**612**
Balance at 31 August 2022	**50**	**6,580**	**(675)**	**5,955**

The notes on pages 25-41 form part of these financial statements.

UPP Bond 1 Issuer plc
Statement of cash flows
for the year ended 31 August 2023

	2023 £'000	2022 £'000
Cash flows from operating activities		
(Loss)/profit for the year	(2,045)	612
Adjustments for:		
Net interest expense included in profit or loss	2,046	(611)
Net cash generated from operating activities	**1**	**1**
Cash flows from investing activities		
Repayments of loans received from fellow group undertakings	14,507	13,444
Net cash generated from investing activities	**14,507**	**13,444**
Cash flows from financing activities		
Repayment of senior secured notes	(14,507)	(13,444)
Proceeds of loans from fellow group undertakings	1,050	689
Net cash used in financing activities	**(13,457)**	**(12,755)**
Net increase in cash and cash equivalents	**1,051**	**690**
Cash and cash equivalents at beginning of year	18,670	17,980
Cash and cash equivalents at the end of the year	**19,721**	**18,670**

The notes on pages 25-41 form part of these financial statements.

1. Principal accounting policies

(a) Company information

UPP Bond 1 Issuer plc is a company registered and domiciled in England and Wales. The registered office is First Floor, 12 Arthur Street, London, England, EC4R 9AB.

(b) Basis of preparation

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments classified at fair value through the profit or loss.

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The financial reporting standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006.

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

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

(c) 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 impact of the current inflationary environment on the ability of the Company to continue as a going concern by preparing a cash flow forecast through to 31 August 2025, modelling a severe but plausible downside scenario that demonstrates that the Company is expected to have sufficient funds to meet its obligations as they fall due over the period of at least 12 months from the date of approval of the financial statements.

The Company's cash flows depend on other companies that operate within Bond I Holdings Limited group. A key feature of the contractual arrangements of those companies with the universities, is that the university counterparty bears the risk of in-year rental income collection once students have been contracted for the rooms. In addition, there are contractual mechanisms in place that allow for rental uplifts as a result of inflation.

For the 2023/24 academic year, the other companies that operate within the Bond 1 Holdings Limited group have secured sufficient occupancy to remain compliant with its financial covenants. The directors anticipate that the entities' university counterparties will meet their payment obligations as they fall due, even in the severe but plausible downside scenario and, as a result, the risk around revenues leading to non-compliance with financial covenants for the 2023/24 and 2024/25 years remain low. The directors consider the Company's costs to be reasonably controllable and, whilst there are likely to be increased costs arising from inflationary pressures and geopolitical issues, these are either likely to be offset by cost savings elsewhere or not considered sufficient to threaten the viability of the business.

The directors believe that the fundamentals of the student accommodation market remain supportive of the long-term success of the business.

1. Principal accounting policies (continued)

(c) Going Concern (continued)

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

(d) Significant judgements and sources of estimation

Judgement applied to classification of index-linked financial instruments
The Company'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 because both principal and interest repayment obligations change in the same proportion and therefore the condition in paragraph 11.9(a) and (aA) relating to the classification of basic financial instruments is met and the Company's index linked financial instruments are classified as basic and carried at amortised cost.

Estimation used to calculate the fair value of derivative financial instruments

Derivative financial instruments comprise RPI swaps.

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.

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

1. Principal accounting policies (continued)

(e) Financial assets

Loans to fellow group undertakings
Loans made to fellow group undertakings are initially measured at fair value plus transaction costs and then they are subsequently measured at amortised cost using the effective interest rate method less impairment.

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Loans to group undertakings are presented as fixed asset investments as they are intended for use on a continuing basis in the business.

(f) Interest receivable and similar income

Interest income is recognised in profit and loss as it accrues, using the effective interest method. Interest receivable and similar income also include gains arising on the change in fair value of derivatives recognised.

(g) Financial liabilities

Loans, creditors and secured notes
Loans and secured notes are initially measured at fair value, net of transaction costs. They are then subsequently measured at amortised cost using the effective interest method, with the interest expense recognised on the basis of the effective interest method.

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

Where loans have been received at below market terms from fellow group undertakings at the direction of this company's parent, the difference between the proceeds and fair value is taken to capital contributions within equity.

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

Short term creditors are measured at the transaction price.

1. Principal accounting policies (continued)

(h) Interest payable and similar charges

Financing costs, comprising interest payable on loans, secured notes and the costs incurred in connection with the arrangement of borrowings are recognised in profit or loss using the effective interest rate method.

Financing costs also include losses arising on the change in fair value arising on the change in fair value of derivatives recognised.

(i) Derivative financial instruments

The Company entered into derivative financial instruments, being RPI swaps, to manage its exposure to RPI. This Company also has back-to-back external swaps which materially offset in fair value terms with the swaps with fellow group undertakings.

Derivatives are initially recognised at fair value at the date a derivative is entered into and are subsequently re-measured to their fair value at each reporting date. The fair value of the derivatives has been determined on a transfer value basis, which takes into consideration the price the instrument could be replaced with by another one with the same remaining terms. To that end, a calibration of usual valuation models has been performed on the trade date for each derivative to determine an initial spread to be added onto market conditions applied at each year end. Those market interest rates and inflation curves for a replacement have been used, deriving future cash flows based on forward rates and discounting them to produce their reported value. The Company has used a third-party expert to assist with valuing such instruments.

The resulting gain or loss is recognised in the profit or loss immediately. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The company does not apply hedge accounting within these financial statements.

(j) Current and deferred tax

The tax charge for the year represents the sum of the tax currently payable and deferred tax based on the taxable profit for the year.

Deferred tax is recognised on all timing differences at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenditure in tax assessment in periods different from those in which they are recognised in the financial statements. Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is calculated at the tax rates that are expected to apply to the taxable profit (tax loss) of the periods in which it expects the deferred tax asset to be realised or the deferred tax liability to be settled on the basis of tax rates that have been enacted or substantively enacted by the end of the reporting year.

1. Principal accounting policies (continued)

(k) 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 short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(l) Equity and reserves

Share capital represents the nominal value of the shares that have been issued.

Where loans have been received at below market terms from fellow group undertakings at the direction of this Company's parent, the difference between the proceeds and fair value is taken to capital contributions within equity.

Retained earnings include current and prior years profit and loss since incorporation.

All transactions with owners of the parent are recorded separately within equity.

(m) Related party transactions

The Company is a wholly owned subsidiary of UPP Group Holdings Limited and as such the Company has taken advantage of the related party transaction exemption of FRS102.33.1A not to disclose related party transactions between two or more members of a group that are wholly owned by the group.

(n) Segment information

FRS 102 requires operating segments to be determined based on the Company's internal reporting to the Chief Operating Decision Maker ('CODM') as they are primarily responsible for the allocation of resources to segments and the assessment of the performance of each segment.

The principal activity of the Company is that of a financing company. Management consider that there is only one operating segment, as this is the lowest level at which discrete financial information is available. All of the Company's income is generated from UK operations.

The measurement policies the Company uses for segment reporting under FRS 102 are the same as those used in its financial statements.

2. Directors' remuneration

The immediate parent company, UPP Bond 1 Limited, paid a fee of £8,500 (2022: £7,000) to Intertrust Management Limited in respect of services performed in connection with the management of the affairs of the Company for the year ended 31 August 2023.

No other directors of the Company received payment for services performed in relation to the management of the company. The Company does not remunerate its Directors directly. The directors provide services to a group of over 50 UK companies and therefore the amount of remuneration for the directors' qualifying services is clearly inconsequential and so has not been disclosed.

There are no employees in the Company (2022 - nil).

3. Auditor's remuneration

The following amounts have been paid to the auditor of the company in respect of the services provided to the company:

	2023 £'000	2022 £'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	57	55
	57	**55**

These fees have been borne by its immediate parent company, UPP Bond 1 Limited, and included in the results of that company for the year.

4. Interest receivable and similar income

	2023 £'000	2022 £'000
Finance assets held at amortised cost		
Interest from on-loan agreements with fellow group undertakings calculated using the effective interest rate method	18,043	17,992
Indexation of index-linked on-loans	30,016	21,206
Total effective interest receivable from on-loans	**48,059**	**39,198**
Bank interest receivable	11	100
Interest on finance assets held at amortised cost	**48,070**	**39,298**
Held at fair value through profit or loss		
Fair value movement on derivative financial instruments	3,768	26,889
Total interest receivable and similar income	**51,838**	**66,187**

5. Interest payable and similar charges

	2023 £'000	2022 £'000
Financial liabilities measured at amortised cost		
Interest on secured bond notes, calculated using the effective interest rate method	18,043	17,992
Indexation of index-linked bonds	30,016	21,206
Total effective interest payable on bond notes	**48,059**	**39,198**
Interest paid on cash balances held on behalf of fellow group undertakings	11	100
Imputed interest on fair value of loans to fellow group undertakings, calculated using the effective interest method	1,831	(27)
Interest on financial liabilities measured at amortised cost	**49,901**	**39,271**
Financial liabilities measured at fair value through profit or loss		
Fair value movement on derivative financial instruments	3,983	26,305
Total interest payable and similar charges	**53,884**	**65,576**

6. Tax on loss on ordinary activities

Taxation

(a) Recognised in the income statement

	2023 £000	2022 £000
Current tax expense		
Current year	-	-
Total current tax	-	-
Deferred tax expense		
Current year	-	-
Total deferred tax	-	-
Total tax in income statement	-	-

b) Reconciliation of effective tax rate

	2023 £000	2022 £000
Profit / (Loss) on ordinary activities before tax for the year	**(2,045)**	**612**
Tax on profit / (loss) on ordinary activities using the UK corporation tax rate of 21.5% (2022: 19%)	(440)	116
Effects of:		
Permanent differences relating to the application of the taxation of securitisation companies regulation	-	-
Expenses not deductible for tax purposes	11,585	12,459
Non-taxable income	(11,145)	(12,575)
Total tax in income statement	-	-

7. Debtors: amounts falling due within one year

	2023 £'000	2022 £'000
Fixed rate loans to fellow group undertakings*	9,140	8,178
Index linked loans to fellow group undertakings*	6,472	6,264
Amounts owed by parent company	-	50
	15,612	**14,492**

Amounts owed by parent company are interest free and repayable on demand.

*The terms and conditions of the loan receivables have been disclosed in note 8.

8. Investments/Debtors: due after more than one year

	2023 £'000	2022 £'000
Investments - fixed rate loans to fellow group undertakings	239,214	247,875
Investments - index linked loans to fellow group undertakings	256,837	233,018
	496,051	**480,893**

Investments

The loans to fellow group companies were made on 5 March 2013 from the proceeds of an issuance by the company of £307,100,000 of fully amortising fixed rate senior secured notes and £75,000,000 of fully amortising RPI index-linked senior secured notes. An additional £149,700,000 was made on 9 December 2014 from the proceeds of issuance by the company of fully amortising RPI index-linked senior secured notes. The proceeds of these loans enabled these fellow group companies to refinance their previous bank facilities and associated costs. The loan attracts the same interest as senior secured notes (note 11).

8. Investments/Debtors: amounts falling due after more than one year (continued)

	Investment £'000
Brought forward at 1 September 2022	480,893
Interest charged	48,059
Interest paid	(17,049)
Movement on debtor <1yr	(1,345)
Capital repayments	(14,507)
Carried forward at 31 August 2023	**496,051**

The carrying amount of financial assets represents the maximum credit exposure. The Company's management assessed the recoverability of the loans to be repaid by reviewing the cash flow forecast prepared for the fellow group companies and did not identify any objective evidence of impairment. Management concluded that the credit risk is not significant and did not recognise impairment in relation to the loan receivables. Management has elected to disclose interest income and costs within operating cashflows due to the nature of the business.

These loans bear the same terms and conditions as the secured notes, see note 11.

Derivative financial instruments

	2023 £'000	2022 £'000
Derivative financial instruments	47,770	51,753

On 5 March 2013 the Company entered into RPI swaps with these fellow group companies, and the amount above reflects the fair value of these instruments at the year-end date. The RPI swap is for a period of 27 years from March 2013, commencing in February 2015 and finishing in February 2040.

These swaps bear the same terms and conditions as those disclosed in note 13.

Type	Valuation technique
Derivative instruments	The fair values of the derivative interest rate swap contracts and inflation swap contracts are estimated by discounting expected future cash flows using market interest rates and market inflation rates.

9. Creditors: amounts falling due within one year

	2023 £'000	2022 £'000
Fixed rate senior secured notes, net of transaction costs (see note 11)	9,140	8,177
Index linked senior secured notes, net of transaction costs (see note 11)	6,472	6,264
Loans from fellow group undertakings	16,160	13,330
	31,772	**27,771**

Loans from fellow group undertakings are interest free and repayable on demand.

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

	2023 £'000	2022 £'000
Fixed rate senior secured notes, net of transaction costs (see note 11)	239,214	247,874
Index linked senior secured notes, net of transaction costs (see note 11)	256,837	233,018
Derivative financial instruments (see note 13)	47,421	51,190
	543,472	**532,082**

11. Borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings. For more information about the Company's exposure to interest rate risk, see note 13.

On 5 March 2013 the Company issued £307,100,000 of fully amortising fixed rate senior secured notes and £75,000,000 of fully amortising RPI index-linked senior secured notes, listed on the Irish Stock Exchange. The proceeds of this issuance were on-lent on the same terms and conditions to six fellow group companies to enable them to repay their previous bank facilities and associated costs.

The fixed rate senior secured notes are fully amortising by 2040 and bear interest at 4.9023%, with repayments commencing on 30 August 2013.

The index-linked senior secured notes are fully amortising by 2047 with a real interest rate of 2.7291% increasing semi-annually by RPI. The notional amount of these notes at issuance was £75,000,000 and the principal amount repayable increases semi-annually by RPI. Repayments are scheduled to commence in August 2038.

11. Borrowings (continued)

On the same day the Company entered into derivative financial instruments, being RPI swaps with three external counterparties. These instruments are mirrored with matching derivative instruments to the six fellow group undertakings. This is to manage the exposure of this Company to RPI movements from loan receipts from fellow group undertakings where revenue streams are sensitive to inflation rate risk. See note 13.

The fair values of these derivative instruments are included within Debtors: amounts falling due after more than in year and Creditors: amounts falling due after more than one year.

On 9 December 2014 the Company issued £149,700,000 of fully amortising RPI index-linked senior secured notes, listed on the Irish Stock Exchange, ranking pari-passu with the initial senior notes. The proceeds of this issuance were on-lent to a sister company, UPP (Exeter) Limited, to enable that company to refinance its senior bank facilities and some associated costs.

These index-linked senior secured notes are fully amortising by 2049 with a real interest rate of 1.037% increasing semi-annually by RPI. The principal amounts repayable increase semi-annually by RPI with repayments commencing in August 2015.

The senior secured notes issued are secured against the assets of the company and seven related undertakings (2022 – seven) all 100% owned by the parent company UPP Bond 1 Limited.

12. Called up share capital

	2023 £'000	2022 £'000
Authorised, allotted, called up and fully paid		
50,000 Ordinary shares of £1 each	**50**	**50**

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

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.

13. Financial risk management

The use of financial instruments is managed under policies and procedures approved by the Directors. These are designed to reduce the financial risks faced by the Company, which relate to credit, market and liquidity risks, which arise in the normal course of the Company's business.

Credit risk

Financial instruments which potentially expose the Company to credit risk consist primarily of cash and loans receivable from fellow group undertakings. Cash is deposited only with major financial institutions that satisfy certain credit criteria.

The Company funds its financing activities through the provision of on-loan arrangements with seven fellow group undertakings. All payments due in the year under these on-loan arrangements were received.

Each fellow group company has an individual on-loan arrangement with the company, however under the Common Term Agreements there is a cross collateralisation agreement in place allowing the pooling of each of the bond participants surplus cash (after operating expenses and relevant on-loan debt service), which can be used to support any underperforming bond participants.

At the year-end date, the credit risk was concentrated with the seven fellow group undertakings. The maximum exposure to credit risk is represented by the carrying amount of each financial asset. The Company‘s management assess the recoverability of the loans to be repaid by reviewing the cash flow forecast prepared for the fellow group companies and did not identify any indication of impairment. Management concluded that the credit risk is not significant and did not recognise impairment in relation to the loan receivables.

The loans to fellow group undertakings are aged as follows and are not past due:

	2023 £’000	2022 £’000
Within one year	15,612	14,441
Between one and two years	16,466	15,760
Between two and five years	55,230	53,811
After more than five years	472,125	411,322
	559,433	**495,335**

Market risk

(a) Interest rate risk

Through the issue of fixed rate loan notes the Company has mitigated its exposure to interest rate fluctuations on that portion of its borrowings. The index-linked loan notes have a real fixed rate that is linked to RPI (see below).

13. Financial risk management (continued)

(b) Inflation rate risk

The Company funds its financing activities through the provision of fixed rate on-loan arrangements to six fellow group undertakings. The ability of the fellow group undertakings to repay these on-loans is sensitive to inflation rate risk as these fellow group undertakings provide student accommodation where the growth in rental income is linked to the movement in RPI.
To mitigate the risk of inflation movements impacting on the Company's ability to service the fixed rate tranche of the bond debt the Company has entered into RPI swaps and then issued onward RPI swaps to the fellow group undertakings that have entered into on-loan arrangements with the Company.

As at 31 August 2023, the Company has economically hedged this risk by carrying the following derivatives, all initially entered into on 5 March 2013, details of which are as follows:

External hedge arrangements

- a 27 year RPI swaps commencing in August 2013 and finishing in February 2040
- a 24 year RPI swaps commencing in June 2016 and finishing in February 2040
- a 27 year RPI swap commencing in March 2013 and finishing in February 2040

The notional amounts swapped for each year have been determined with reference to a percentage of the fixed rate bond servicing costs, and split equally over the hedge counterparties. On each of these swap arrangements the hedge counterparty pays or receives a fixed amount and the Company pays or receives a floating amount. Hedge accounting is not applied to these arrangements.

Hedge arrangements with fellow group undertakings

- a 26 year RPI swap with UPP (Alcuin) Limited commencing in February 2014 and finishing in February 2040
- a 26 year RPI swap with UPP (Broadgate Park) Holdings Limited commencing in February 2014 and finishing in February 2040
- a 26 year RPI swap with UPP (Kent Student Accommodation) Limited commencing in February 2014 and finishing in February 2040
- a 26 year RPI swap with UPP (Nottingham) Limited commencing in February 2014 and finishing in February 2040
- a 26 year RPI swap with UPP (Oxford Brookes) Limited commencing in February 2014 and finishing in February 2040
- a 26 year RPI swap with UPP (Plymouth Three) Limited commencing in February 2014 and finishing in February 2040

The notional amounts swapped for each year have been determined with reference to a percentage of the debt servicing costs of the fixed rate tranche of the relevant Company's on-loan agreement with the Company. On each of these swap arrangements the Company pays or receives a fixed amount and the fellow group undertaking pays or receives a floating amount. Hedge accounting is not applied to these arrangements.

(b) Foreign currency risk

The Company operates entirely in the UK and is not exposed to any foreign currency risks.

13. Financial risk management (continued)

Liquidity risk

The Company prepares annual cash flow forecasts reflecting known commitments and anticipated payments received from its on-loan arrangements. The Company has available cash flow from these on-loan arrangements to fund present commitments.

Terms and debt repayment schedule

	Currency	Nominal interest rate (%)	Year of maturity	**Book Value 2023 £'000**
Fixed rate senior secured notes	£	4.9023%	2040	248,354
Index linked senior secured notes	£	2.7291%	2047	109,594
Index linked senior secured notes	£	1.0370%	2049	153,715
Loans from fellow group undertakings	£	4.9023%		16,160
Derivative financial instruments	£		2040	47,421
				575,244

Contractual maturities including derivatives

	2023 £'000
Repayable on demand	16,160
Within one year	15,612
Between one and two years	16,466
Between two and five years	55,230
After more than five years	471,776
	575,244

The loans from fellow group companies are to fund a debt service reserve account 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 on these loans is paid at the rate at which the Company earns interest on the cash balances it holds.

Capital risk management

The Company maintains a debt service reserve account to cover the next six months of service costs of both tranches of the senior secured notes. The Company manages its capital to ensure it will be able to continue as a going concern.

13. Financial risk management (continued)

Capital risk management (continued)

The Company's capital structure is as follows:

	2023 £'000	2022 £'000
Capital contributions	6,580	6,580
Equity	50	50
	6,630	**6,630**

Financial Instrument categories

The carrying amounts of financial assets and liabilities by categories shown in the statement of financial position are as follows:

	Carrying amount 2023 £000	Carrying amount 2022 £000
Financial assets		
Financial assets held at amortised cost		
Cash at bank and in hand	19,721	18,670
Loans to fellow group undertakings (note 7/8)	511,663	495,385
Amounts owed by parent company	-	50
Total financial assets held at amortised cost	**531,384**	**514,105**
Measured at fair value through profit and loss		
Derivative financial instruments assets (note 8)	47,770	51,753
Financial liabilities		
Financial liabilities measured at amortised cost:		
Fixed rate senior secured noted (note 9/10)	248,354	256,051
Loans from fellow group undertakings (note 9)	16,160	13,062
Index linked senior secured notes (note 9/10)	263,309	239,282
Total financial liabilities measured at amortised cost:	**527,823**	**508,395**
Financial liabilities measured at fair value through profit or loss		
Derivative financial instruments liabilities (note 10)	47,421	51,190

The cash and cash equivalents disclosed above and in the statement of cash flows are all restricted cash. This cash is subject to be used only by SPVs in line with the service concession agreements and are therefore not available for general use by the other entities within the Group.

14. Reconciliation of movements of liabilities to cash flows arising from financing activities

	Borrowings £'000
31 August 2022	**508,428**
Financing activities	
New borrowings	1,050
Repayment of fixed rate debt	(8,177)
Repayment of index-linked debt	(6,330)
Interest paid	(17,049)
Net cash flow (used in) financing activities	**(30,506)**
Interest expense on financial liabilities	49,901
31 August 2023	**527,823**

Cash outflows from interest payments are set off against cash inflows from interest received from the group undertakings in the cash flow statement. The turnover of these items is quick, the amount are large, and the maturities are short.

15. Parent undertaking and 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 for which group accounts are prepared is UPP REIT Holdings Limited.

UPP REIT Holdings Limited is controlled by a 60% stake held by Stitching Depository PGGM Infrastructure Fund ("PGGM") on behalf of its pension fund clients. PGGM is incorporated in The Netherlands.

The parent undertaking of the smallest group of which the Company is a member and for which group accounts are prepared is UPP Bond 1 Holdings Limited.

Copies of the UPP Bond 1 Holdings Limited accounts can be obtained from Companies House, Crown Way, 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.