



# UPP Bond 1 Limited Half Year Summary

For the six months ended 29 February 2024



# ▶ Half year highlights

## ▶ Turnover

**£39.8m**

February 23 – £37.4m

## ▶ EBITDA

**£24.0m**

February 23 – £24.2m

## ▶ ADSCR

**1.30**

February 23 – 1.20

## ▶ Occupancy

**98.1%**

February 23 – 99.6%

## ▶ Customer satisfaction

**86.5%**

February 23 – 85.0%

This Half Year Summary is being published by UPP Bond 1 Limited ('The Group Agent') on behalf of UPP Bond 1 Holdings Limited ('HoldCo'), UPP Bond 1 Issuer Plc ('Issuer'), UPP (Alcuin) Limited, UPP (Broadgate Park) Holdings Limited, UPP (Kent Student Accommodation) Limited, UPP (Nottingham) Limited, UPP (Oxford Brookes) Limited, UPP (Exeter) Limited and UPP (Plymouth Three) Limited ('The AssetCos') (together the 'Obligors') pursuant to the Common Terms Agreement ('CTA').

In this report UPP Bond 1 Holdings Limited is referred to as "the Bond Group". UPP REIT Holdings Limited and its subsidiaries is referred to as "UPP Group".

Unless otherwise defined herein, capitalised terms have the meanings given in the Prospectus for the £5,000,000,000 multicurrency programme for the issuance of senior secured notes dated 5 March 2013 ('The Programme') and as updated on 1 December 2014.

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# 1.0 General overview

# 1.0 General overview: UPP Bond 1 Holdings Limited

## UPP Bond 1 Holdings Limited results for the six months ended 29 February 2024

### Financial highlights

£'000	February 2024	February 2023	Change %
Turnover	39,756	37,368	6.4
Gross profit	26,046	26,047	0.0
EBITDA pre sinking fund expenditure <sup>1</sup>	23,990	24,208	(0.9)
EBITDA margin <sup>1</sup>	60.3%	64.8%	(6.8)
Sinking fund expenditure <sup>2</sup>	(795)	(1,735)	54.2

<sup>1</sup>Earnings before interest, tax, depreciation and amortisation (EBITDA) pre sinking fund expenditure.

<sup>2</sup>Sinking fund expenditure is primarily incurred during the summer months and is dependent on each AssetCo's individual spend plan, leading to cost variability in the first half of the year.

### Business highlights

- › Occupancy for 2023/24 of 98.1 per cent (2022/23: 99.6 per cent). Occupancy exceeded 99.8% on all SPVs except for Broadgate Park and Nottingham where student recruitment shortfalls occurred and there has been a lower uptake of accommodation marketed by the university
- › Turnover up by 6.4 per cent to £39.8 million (2022/23: £37.4 million), reflecting RPI-linked annual term rental income increases
- › Gross profit continues to remain stable at £26.0 million (2022/23: £26.0 million) with improved turnover partially offset by a significant increase in utilities costs due to global supply issues raising wholesale prices, an impact exacerbated by increased pricing from certain hedging arrangements, and the impact of high inflation on other direct costs
- › EBITDA pre sinking fund expenditure is also stable at £24.0 million
- › The beginning of the financial year 2023/24 saw a continuing focus on the long-term strategic management of assets under operation with the completion of the financial year 2022/23 programme of asset investment works totalling £7.6 million across the Bond portfolio
- › Both historic and projected Senior Debt Service Coverage Ratios at the February 2024 test date were comfortably above lock-up triggers and improved on the previous test date
- › Annual credit rating assessments of Baa1 (stable outlook) and A- (stable outlook), the latter being upgraded in March 2024
- › During the period we have continued to progress our commitment to achieve transparent net zero emissions across scopes 1, 2 and 3 by 2035
- › UPP Group was re-accredited with the prestigious We Invest In People Gold status and the RoSPA Gold Award, and has recently been shortlisted for several awards including Student Accommodation Operator of the Year at the RESI Awards, the Partnerships Awards Environmental, Social and Governance category and Innovation of the Year at the ASRA Awards in recognition of the development of the new Home@Halls app
- › We continued to deliver high quality services to students, as evidenced by customer satisfaction scores of 86.5 per cent when residents were asked whether they would recommend UPP accommodation to future students

# Introduction from Elaine Hewitt, Chief Executive Officer

I am pleased to report that for the six months ended 29 February 2024 UPP Bond 1 Holdings Limited (the Bond Group) has continued to demonstrate strong performance despite the continually challenging macro-economic conditions. Over the period, turnover has increased by 6.4 per cent from £37.4 million to £39.8 million. EBITDA pre sinking fund expenditure remained stable at £24.0 million, with EBITDA margin in line with expectations.

Occupancy is forecast to exceed 98 per cent this year and, whilst applicant numbers to UK universities have reduced slightly, they remain higher than pre-pandemic levels and have increased in UPP's target cohort of under 21s and high tariff institutions. Demand for student accommodation remains strong, reflective of the positive medium-term outlook for the sector driven by the continuing

“As a responsible and purpose-led business we have an increasing focus on environmental and social sustainability for the benefit of our university partners”

undersupply of accommodation in the marketplace generally.

As a responsible and purpose-led business we have an increasing focus on environmental and social sustainability for the benefit of our university partners, our student residents and our people. We published our second annual Sustainability Report in February 2024. The report, verified in accordance with Global Reporting Initiative Standards, sets out the good progress we have made towards our 2030 goals across the three elements of ESG (Environment, Social and Governance).

The Bond Group assets benefitted from a significant programme of investment works during the summer of 2023 and remain well positioned, offering a wide range of accommodation, priced on an inclusive basis, with services delivered by our experienced operational teams.

**Elaine Hewitt**  
Chief Executive Officer



# 1.1 Summary of the UPP Group business

UPP Bond 1 Holdings Limited is part of the UPP Group or “UPP”, the UK’s leading provider of on-campus residential and academic accommodation infrastructure. Every day, UPP supports over 35,000 students on their journey through higher education, working with our university partners to create a great student experience. 11,731 of UPP’s student bedrooms are operated by the asset companies (‘the AssetCos’) within the UPP Bond 1 ringfence.

At Group level, we have 15 long-term bespoke partnerships with leading UK universities and have invested over £3.5 billion in the UK higher education sector since 1998, providing a home to over half a million students.

Our unique, long-term partnership approach enables our university partners to develop their estates whilst reinvesting in their core services of teaching and research. Through joint ventures and strategic partnership agreements, we design, build, finance and operate new residential and academic infrastructure, and complete estate transfers of existing accommodation, for concession periods ranging from 40 years to 125 years.

Our projects are structured to be efficient, robust and of high-credit quality which enables us to secure investment grade debt to support our financing requirements.

The key features of UPP’s cash-generative business model, based on bespoke partnerships with the universities, generally comprise:

- » An integrated delivery model for universities encompassing design, funding, construction and operation of student accommodation
- » A business model underpinned by long-term contracts (typically in excess of 40 years) with all partner universities
- » Annual rent increases for the life of the project typically linked to the Retail Price Index (‘RPI’)
- » A restrictive covenant regime that limits long-term competing university supply in order to maintain healthy demand dynamics
- » Established partnerships with leading institutions targeted on the basis of rigorous selectivity criteria
- » Accommodation is always located on, or very near to, campus, which is the preferred location for target cohorts of first-year domestic and international undergraduate and postgraduate students
- » Typical occupancy above 99.0 per cent
- » Credit and void risk passed to the university partner
- » The university partner markets and allocates UPP accommodation at the agreed rent on at least an even-handed basis to its own stock
- » The ability of each AssetCo to pass cost increases in utilities, insurances and those resulting from a change of law through to future student rents to the extent that they are not covered by the annual uplift mechanism
- » Facilities management costs subject to periodic benchmarking exercises



## 1.2 Summary of bond issuance

On 5 March 2013, UPP Bond 1 Issuer Plc issued a £382.1 million secured bond listed on the Irish Stock Exchange. The bond was secured against the income from the properties at the University of York, the University of Nottingham, Nottingham Trent University, the University of Kent, Oxford Brookes University and the University of Plymouth ('the AssetCos'). UPP Bond 1 Holdings Limited is a wholly owned subsidiary of UPP Group Holdings Limited and was initially set up to be the intermediate holding Company for the six AssetCos.

This issuance comprised two tranches:

- » £307.1 million 4.9023 per cent amortising fixed-rate bond due 2040
- » £75.0 million 2.7921 per cent amortising index-linked bond due 2047

On 9 December 2014, the Group acquired UPP (Exeter) Limited from UPP Group Holdings Limited. On the same day, UPP Bond 1 Issuer Plc issued a new tranche of £149.7 million 1.037 per cent amortising index-linked secured notes, listed on the Irish Stock Exchange. These funds were on-lent to UPP (Exeter) Limited to enable that Company to repay its bank facilities and associated costs. This tranche is due to mature in 2049.

Proceeds of both issuances, along with a tranche of unsecured subordinated debt, were utilised to:

- » Repay existing senior bank facilities owed by the seven AssetCos
- » Fund the payment of break costs crystallised on the termination of the interest rate and RPI hedging arrangements in place with the current bank funders
- » Prefund a debt service reserve account for the new bond issuance
- » Purchase minority interest shareholdings held by two of the university partners in the relevant AssetCos
- » Fund the costs associated with the transaction

Interest and principal repayments are due in February and August each year.



# 2.0 Trading update





## 2.1 Business developments

The results for the six months ended 29 February 2024 continue to demonstrate the resilience of the UPP business model, which delivers returns based on stable, long-term, RPI-linked revenues.

The principal activities of the Bond Group during the six months continued to be the funding and operation of student accommodation. While the wider UPP Group has continued to actively bid for new schemes with existing and potential new partners, there have been no additions to the UPP Bond 1 portfolio in the reporting period.

During the period, the Bond Group saw turnover increase by 6.4 per cent to £39.8 million (2022/23: £37.4 million) with contractual rental increases being applied across the Bond portfolio. Gross profit was stable at £26.0 million and EBITDA pre sinking fund expenditure was also stable at £24.0 million.

The beginning of the financial year 2023/24 saw a continuing focus on the long-term strategic management of assets under operation, including defects management. With respect to the Bond AssetCos, the business completed a further major programme of asset investment works during the summer of 2023 totalling £7.6 million across the portfolio. This included a second phase of refurbishment at Hampden Hall in the Nottingham AssetCo comprising 84 bedrooms and 14 kitchens, including new heating and electrical services. A phased replacement of kitchens also took place in the Broadgate Park AssetCo, alongside a programme of window replacement to improve energy performance. Further works to accommodation in the Plymouth AssetCo saw around 100 en-suite bathrooms being fully refurbished. These projects took place during the course of the summer vacation period and were completed on time and budget. Spend in the first half of the current financial year has reduced on the prior year but is a result of phasing of spend, with £7.5 million budgeted to be spent in the year as a whole.

In February, UPP Group published its second annual sustainability report, setting out the progress made towards its 2030 environmental, social and governance targets. The report, 'Building Sustainable Futures', demonstrates UPP's tangible steps forward on its sustainability journey and has been published in accordance with Global Reporting Initiative standards.

Achievements over the last year include:

- » gaining verification of net zero carbon targets by the Science Based Targets Initiative (SBTi)
- » recycling 40 per cent of waste at source and sending only 3 per cent of waste to landfill
- » a reduction in Scope 1, 2 & 3 emissions by 487tCO<sub>2</sub>e compared with 2021/22
- » an innovative new partnership with Architype, a multi-award-winning sustainable architectural practice to support sustainable campus development
- » £521,825 of social value generated in 2022/23. In the last two years over £1 million of social value has been created towards a target of £6 million by 2030
- » The UPP Foundation announced funding of £160,000 for eight innovative pilot projects with charities and universities, on diverse topics including student mental health, energy,

biodiversity and student transition into university

- » 15 per cent of UPP people trained as Mental Health First Aiders
- » £42,000 raised for charity and 716 volunteering hours delivered by UPP people
- » a new supply chain charter on environmental and ethical procurement



A new version of UPP's student-facing smartphone application Home@Halls was launched in August and successfully rolled out during the September 2023 student intake, with positive feedback from both partners and residents. The new version of the app enriches the student experience by providing residents with easy access to key information and events in their accommodation, alongside more streamlined processes to manage maintenance issues, deliveries, inventories, and inspections. Over 27,000 students across the UPP portfolio have been registered in the app, marking a 20 per cent increase compared to the previous academic year. In addition to usage across UPP's portfolio, the University of Kent has been the first university to adopt the app for non-UPP accommodation. The app has been shortlisted for Innovation of the Year at the first inaugural ASRA Awards.

UPP Group was re-accredited with We Invest In People Gold status and in March UPP won a prestigious RoSPA Award, being Highly Commended in the Facilities Management Industry Sector category. Demonstrating UPP's commitment to Health & Safety excellence, the RoSPA Awards is the largest occupational health and safety awards programme in the UK and receives around 2,000 entries every year. This year is the seventh consecutive year that UPP has been awarded a RoSPA Gold award or higher. UPP Group has also recently been shortlisted for several awards, including Student Accommodation Operator of the Year at the RESI Awards 2024, and the ESG category at this year's Partnerships Award.

In summary, the view of the Directors of the Bond Group remains that its business model is robust (as outlined in section 2.2 below) and that it is well positioned to continue to deliver strong operational performance from a portfolio of assets that are central to the operations of its university partners.



## 2.2 Market update

UK HE continues to see strong rates of academic demand both domestically and from overseas. The UK remains a key destination for international students, with UCAS identifying that nearly 90 per cent find the UK a positive place to study, whilst more than three-quarters (77 per cent) applied on the strength of its strong reputational record<sup>1</sup>. Whilst applicant numbers experienced a spike during 2021 and 2022 reflecting the changes made to awarding grades, domestic undergraduate demand for university remains strong and well above comparable UCAS data for 2020.

Data for the end of the 2023 application cycle identified that in total 752,025 people applied to universities, a decrease of 1.3 per cent (9,715 students) compared to 2022 but 7.1 per cent above 2019. Of this number 554,465 were accepted (-1.5 per cent on the previous year). The long-term projected increase in the 18-year-old population continues, with the overall entry rate for UK 18-year-olds standing at 35.8 per cent this year, which is lower than the immediately preceding years but above the 2019 entry rate of 34.1 per cent. Broken down by nation, the 2023 entry rates were: 36.6 per cent in England, 38.2 per cent in Northern Ireland, 29.9 per cent in Wales and 29.4 per cent in Scotland.

Whilst demand for places decreased for the 2023 cycle, UK 18-year-olds were still keen to apply with 324,575 applicants – down from 330,780 in 2022 (-1.9 per cent). This still proved significantly higher than the pre-pandemic total of 280,815 in 2019 (+15.6 per cent). Overall, 271,735 UK 18-year-olds gained a place which is 2.0 per cent lower than last year but 12.5 per cent higher than the pre-pandemic year of 2019. In total the number of 18-year-old applicants from all domiciles, decreased by 4,915 (1.9 per cent) to 385,480, but 58,805 extra applicants than was the case five years ago – an increase of almost one-fifth (18.0 per cent).

In terms of international demand, the total number of applicants increased in the 2023 cycle, from 149,840 to 152,100. The increase of 2,260 (1.5 per cent) was driven by applicants from outside the EU. Applicant numbers from the latter have fallen for three years since the completion of Brexit by more than 29,000 or 55.7 per cent to 23,135. Whilst this was expected on the basis of post-Brexit modelling, the sector has still had to pivot towards non-EU demand which has continued to increase. Applicant numbers from outside to the EU have increased every year since 2016, and in 2023 almost 129,000 applied – an increase of 3,145 or 2.5 per cent year on year. For the 2023 academic year the UK saw the highest number of accepted applicants on record from India (+7.3 per cent), Pakistan (+17.6 per cent) and Singapore (+5.8 per cent).

Turning to the 2024 cycle – applicants for the academic term 2024/25 – the table on the next page identifies applicants at the UCAS January deadline which represents approximately 90 per cent of those who will apply through this cycle.



### Applicants for all courses by domicile group (31 January 2024 deadline only)

App. Domicile	2019	2020	2021	2022	2023	2024
England	373,740	373,860	415,470	416,400	405,130	402,240
Northern Ireland	17,910	17,400	18,780	17,750	17,020	16,690
Scotland	43,340	42,530	49,360	44,140	40,420	41,410
Wales	18,850	18,430	21,120	21,020	19,100	18,880
UK	453,840	452,220	504,730	499,310	481,670	479,220
EU (excluding UK)	43,890	43,030	25,740	20,820	20,500	19,890
Non-EU	63,690	73,080	85,890	90,590	94,410	95,480
Total	561,420	568,330	616,360	610,720	596,580	594,590

Source: UCAS

1 'Where Next: the experience of international students connecting to UK higher education', UCAS (2022 January)



The data identifies that total applicant numbers were down year on year by 0.3 per cent to 594,590. This was a fall of just over 1,990, however, this remains higher than the 2020 cycle with its change in approach to awarding moving to centre assessed grades.

In terms of the key demand cohorts for AssetCo accommodation, UK applicant numbers were down 0.5 per cent to 479,220, a fall of 2,450. As with overall numbers, these figures remain 6.0 per cent higher than 2020, and the fourth highest total on record. English applicant numbers were down 0.7 per cent (-2,890) year on year to 402,240. Focusing on 18-year-olds, applicant numbers from this cohort rose by 0.8 per cent to 372,200 and students aged under 21 increased by 0.6%. With high tariff institution applications also increasing, demand from key cohorts continues to rise.

Applicants from the EU continue to decline – if more gradually than in recent years – by 3.0 per cent to 19,890. As in other years, an increase in students from outside the EU more than compensated for this, increasing by 1,070 (1.1 per cent) potential students. In terms of the origin of this demand, January's data identifies that applicants from China rose by 3.3 per cent for 2024/25 to 28,620. The number of applicants from Canada and Turkey have continued their upward trajectory at 14.0 per cent and 37.6 per cent respectively, with 5,370 applicants collectively, and both reaching new highs.

Notwithstanding a slight recalibration in applicant numbers following the unprecedented demand during the Covid pandemic, in general, UCAS is projecting that demand from UK 18-year-olds will continue on an upward trajectory for the rest of the decade, as will international demand, in line with the UK's International Student Strategy. In its recent long-term forecast entitled 'The Journey to a Million', UCAS has underlined this trend, projecting an increase in applicant numbers of more than 230,000 between the academic year 2022 and 2030, potentially taking annual applicant numbers to 997,500.

On the basis of this evidence, it appears that demand for UK HE and, in particular, the three year on-campus, residential model of delivery, will remain strong. This should maintain the robust levels of demand for the accommodation operated by the individual AssetCos within UPP Bond 1 Limited witnessed to date. UPP is therefore well placed to benefit from current and future market dynamics.

# 3.0 Financial highlights



## 3.0 Financial highlights for the six months ended 29 February 2024

Highlights of the consolidated results of UPP Bond Holdings 1 Limited were:

- » Occupancy of 98.1 per cent achieved across the seven AssetCos
- » Turnover of £39.8 million, up 6.4 per cent on the prior period
- » EBITDA pre sinking fund expenditure of £24.0 million (2023: £24.2 million)
- » Healthy cash balance of £60.7 million, made up largely of liquidity reserve accounts
- » Annual credit rating assessments of Baa1 (stable outlook) and A- (stable outlook), the latter being upgraded in March 2024
- » Annual Debt Service Coverage Ratios comfortably above lock-up triggers and improved on the previous test date

For the period from 1 September 2023 through to 29 February 2024, the Bond portfolio had a historic annual debt service coverage ratio (ADSCR) of 1.30, compared to a lock-up trigger set at 1.15. The projected ratio for the twelve months to 28 February 2025 is 1.35.

Occupancy for the 2023/24 academic year is forecast at 98.1 per cent across the portfolio. Rental receipts are now largely fixed for the year, evidencing the robust nature of the Bond business model.

The Bond Group made a loss for the period of £22.2 million (2023: £27.2 million), of this loss £24.1 million (2023: £22.3 million) relates to interest costs on subordinated debt. Debt service costs, as contributing to the ratio calculations, increased by £1.4 million from £31.3 million to £32.7 million as a result of impact of higher RPI costs. Consolidated profit and loss results for the seven AssetCos, UPP Bond 1 Limited, UPP Bond 1 Holdings Limited and UPP Bond 1 Issuer Plc are presented below for the financial period 29 February 2024.



## 3.1 AssetCo Consolidated Profit and Loss Account for the six months ended 29 February 2024

	Feb 2024 £'000	Feb 2023 £'000	Change %
<b>Turnover</b>	39,756	37,368	6.4
<b>Cost of sales</b>	(13,710)	(11,321)	(21.1)
<b>Gross profit</b>	26,046	26,047	0.0
<b>Gross profit margin</b>	65.5%	69.7%	(6.0)
Operating expenses before sinking fund	(2,056)	(1,839)	(10.1)
EBITDA before sinking fund expenditure and provisions	23,990	24,208	(0.9)
EBITDA margin	60.3%	64.8%	(6.9)
Sinking fund expenditure	(795)	(1,735)	54.2
<b>EBITDA post sinking fund expenditure</b>	23,195	22,473	3.2

Turnover is defined as rental receipts from students net of contractual amounts deducted by university partners for taking credit and void risk, incentives offered to returning students, plus commercial and vacation income derived from other activities at each AssetCo and any payments or receipts under the relevant inflation-linked swaps. Turnover increased by 6.4 per cent during the period, primarily due to these contractual rental increases. Occupancy exceeded 99.8% for all SPVs except for Broadgate Park and Nottingham which stood at 95.3 per cent and 96 per cent respectively. UPP Group is working collaboratively with both institutions on plans to secure higher demand for the next financial year.

Cost of sales is made up of facilities management costs, employee costs, utilities and internet access costs which increased by 21.1 per cent to £13.7 million (2023 £11.3 million). This was primarily driven by a significant increase in utilities costs as a result of higher wholesale prices due to UK inflationary increases and global supply issues impacting gas and electricity market prices, with facilities management charges also subject to inflationary uplifts.

Operating expenses, before sinking fund costs, increased to £2.0 million (2023: £1.8 million) primarily due to the impact of inflation. In total, EBITDA before sinking fund was stable at £24.0 million (2023: £24.2 million).

Sinking fund costs consist of expenditure required to maintain asset condition. Whilst sinking fund expenditure is modelled in line with the relevant replacement period for each item, it is not necessarily comparable from one year to the next. Accordingly, the amount charged to the Profit and Loss account, while visible, can vary substantially between years and, as such, EBITDA before sinking fund expenditure is the preferred key performance indicator.

As detailed in the prior year Investor Report, during the period the Kent AssetCo continued to report under a Trigger Level 2, Phase 1 Monitoring Event (which became a Trigger Level 2, Phase 2 Monitoring Event from 15 December 2023) with subsequent enhanced reporting as required by the Monitoring Services Agreement. In addition, the Plymouth AssetCo continued to report under a Trigger Level 2, Phase 2 Monitoring Event with subsequent enhanced reporting as required by the Monitoring Services Agreement (note that the Trigger Level 2, Phase 2 Monitoring Event ceased on 1 March 2024). Following the cessation of the Monitoring Event the Plymouth AssetCo is operating well with historic and projected ratios well above monitoring trigger levels.

The resilient financial performance of the Bond Group has been validated through the in-year annual credit rating assessments of both S&P and Moody's. S&P upgraded the BBB+ credit rating to A- 'stable' outlook following their annual rating assessment in March 2024. Moody's affirmed the Baa1 rating with 'stable' outlook.

## 3.2 Operational performance, sinking fund and defect remedial work

FM services are provided by UPP Group's 100 per cent-owned subsidiary, UPP Residential Services Limited (URSL). Services are delivered to a high level to ensure the continued attractiveness of the accommodation and to maximise occupancy for future years. This is evidenced by our Customer Satisfaction rating of 86.5 per cent.

During the period ended 29 February 2024, URSL suffered only £17,276 of deductions for unavailability and poor performance and this reflects the high standards set in previous years.

Sinking fund expenditure is also managed by URSL. In total in 2023, £7.6 million (2022: £7.7 million) was invested by the AssetCos to maintain the quality of the accommodation.

In financial year 21/22 intrusive survey works identified defects in the cladding on the Woolf halls of residence under the UPP (Kent Student Accommodation 1) Limited AssetCo. Works are being scoped, with detailed examination continuing as to the most effective means of remediation. Reviews undertaken indicate that the asset remains safe to occupy, whilst the right technical solution is identified. The UPP (Kent Student Accommodation 1) Limited AssetCo is seeking recovery of any costs and losses associated with remediating the Woolf halls of residence from the original building contractor. A provision of £7.5 million was recognised in the financial statements for these works and continues to be recognised going forward. The Asset Co has forecasted to spend c.£0.5 million of this provision during the remainder of financial year 2023/24. The projected ratio for the Kent AssetCo includes remedial costs associated with these works.

The projected ratio for UPP (Plymouth Three) Limited includes sums relating to the recovery of costs from the original building contractor for remedial work undertaken in previous financial years at the Francis Drake halls of residence. Further to the recovery of costs, the settlement of the claim will result in budgetary savings of circa £0.2 million in legal fees.





# 4.0 Ratio calculations



## 4.0 Ratio calculations

As set out in Paragraph 2 of Part 2 of Schedule 9 of the CTA, the ratio calculations as at 29 February 2024 are:



### 4.1 Historic Senior DSCR (for the 12 months to 29 February 2024):

Consolidated	£'000
Turnover	77,122
Cost of sales	(25,179)
Operating expenses	(3,483)
<b>EBITDA pre-sinking fund</b>	<b>48,460</b>
Sinking fund	(6,671)
<b>EBITDA</b>	<b>41,789</b>
CAFDS adjustment <sup>1</sup>	889
CAFDS	42,678
Debt service	32,748
<b>Historic Senior DSCR</b>	<b>1.30</b>

<sup>1</sup> The Cash Available for Debt Service (CAFDS) adjustment adds back sinking fund expenditure and deducts the sinking fund deposits to get to the net sinking fund cash position in the year. Interest receivable is added to get to the final CAFDS figure.

## 4.2 Projected Senior DSCR (for the 12 months to 28 February 2025):

Consolidated	£'000
Turnover	87,358
Cost of sales	(27,681)
Operating expenses <sup>2</sup>	(8,018)
<b>EBITDA pre-sinking fund</b>	<b>51,659</b>
Sinking fund	(7,231)
<b>EBITDA</b>	<b>44,428</b>
CAFDS adjustment <sup>1</sup>	1,034
CAFDS	45,462
Debt service	33,616
<b>Projected Senior DSCR</b>	<b>1.35</b>

<sup>1</sup> The Cash Available for Debt Service (CAFDS) adjustment adds back sinking fund expenditure and deducts the sinking fund deposits to get to the net sinking fund cash position in the year. Interest receivable is added to get to the final CAFDS figure.

<sup>2</sup> Projected ratios for UPP (Kent Student Accommodation) Limited include one off spend relating to asset remedial works. Projected ratios for UPP (Plymouth Three) Limited include sums relating to the recovering of remedial costs from the original building contractor.

## 4.3 Historic AssetCo DSCR:

UPP (Alcuin) Limited	1.31
UPP (Broadgate Park) Holdings Limited	1.25
UPP (Kent Student Accommodation) Limited	1.47
UPP (Nottingham) Limited	1.21
UPP (Oxford Brookes) Limited	1.59
UPP (Plymouth Three) Limited	1.32
UPP (Exeter) Limited	1.29



## 4.4 Projected AssetCo DSCR:

UPP (Alcuin) Limited	1.45
UPP (Broadgate Park) Holdings Limited	1.38
UPP (Kent Student Accommodation) Limited <sup>2</sup>	(0.07)
UPP (Nottingham) Limited	1.37
UPP (Oxford Brookes) Limited	1.57
UPP (Plymouth Three) Limited <sup>2</sup>	1.67
UPP (Exeter) Limited	1.35

<sup>2</sup> Projected ratios for UPP (Kent Student Accommodation) Limited include one off spend relating to asset remedial works. Projected ratios for UPP (Plymouth Three) Limited include sums relating to the recovering of remedial costs from the original building contractor.



# 5.0 Compliance certificate

# Compliance certificate

To: U.S. Bank Trustees Limited as Issuer Security Trustee, the Issuer Note Trustee and Cash Administrator and any Private Placement Noteholder (or its representative)

CC: Bishopsfield Capital Partners Ltd as Monitoring Adviser

From: UPP Bond 1 Limited (the "Group Agent")  
UPP Bond 1 Issuer PLC (the "Issuer")

Date: April 2024

Dear Sirs

**Common Terms Agreement dated 5 March 2013 between, among others, the Issuer, the AssetCos, the Issuer Security Trustee and the Issuer Note Trustee (the "CTA")**

Capitalised terms not defined in this certificate have the meaning given to them in the CTA.

- We refer to the CTA.
- This is a Compliance Certificate delivered by the Issuer and the Group Agent pursuant to paragraph 7.3 of Part 1 of Schedule 6.
- We confirm that the ratios (together the "Ratios") contained herein are as detailed in the table below.

Historic Ratios	12 months ended 29 February 2024	
	Applicable Ratio	Actual Ratio
Historic AssetCo DSCR		
UPP (Alcuin) Limited	1.15	1.31
UPP (Broadgate Park) Limited	1.15	1.25
UPP (Kent Student Accommodation) Limited	1.15	1.47
UPP (Nottingham) Limited	1.15	1.21
UPP (Oxford Brookes) Limited	1.15	1.59
UPP (Plymouth Three) Limited	1.15	1.32
UPP (Exeter) Limited	1.15	1.29
Historic Senior DSCR	1.15	1.30

Projected Ratios	Projected for 12 month ended 28 February 2025	
	Applicable Ratio	Actual Ratio
Projected AssetCo DSCR		
UPP (Alcuin) Limited	1.15	1.45
UPP (Broadgate Park) Limited	1.15	1.38
UPP (Kent Student Accommodation) Limited	1.15	(0.07)
UPP (Nottingham) Limited	1.15	1.37
UPP (Oxford Brookes) Limited	1.15	1.57
UPP (Plymouth Three) Limited	1.15	1.67
UPP (Exeter) Limited	1.15	1.35
Projected Senior DSCR	1.15	1.35

1. We confirm that the historic ratios have been calculated using the most recently available audited financial information required to be provided by the relevant AssetCo under Schedule 8 (Covenants of the AssetCos) of the CTA and delivered together with this Compliance Certificate.
2. We confirm that all forward-looking financial ratio calculations and projections:
  - (a) have been made on the basis of assumptions made in good faith and arrived at after due and careful consideration;
  - (b) are consistent and updated by reference to the most recently available financial information required to be produced by the AssetCos under Schedule 8 (Covenants of AssetCos) to the CTA and delivered together with this Compliance Certificate;
  - (c) are consistent with the Accounting Standards (insofar as such Accounting Standards reasonably apply to such calculations and projections).
3. We set out below the computation of the following Ratios set out in Paragraph 2 above for your information:
  - (a) Historic AssetCo DSCR means, in respect of any AssetCo as at the Test Date, the ratio of:
    - i. the aggregated Net Cash Flow in respect of such AssetCo for the 12 months ended (the "Test Period") ended on 29 February 2024 (the "Test Date"); to
    - ii. the AssetCo Debt Service Requirement in respect of such AssetCo for the Test Period ended on the Test Date.
  - (b) Historic Senior DSCR means, as at the Test Date, the ratio of:
    - i. the aggregated Net Cash Flow in respect of all AssetCos for the Test Period ended on the Test Date; to
    - ii. the aggregated AssetCo Debt Service Requirement in respect of all AssetCos for the Test Period ended on the Test Date.
  - (c) Projected AssetCo DSCR means, in respect of any AssetCo as at the Test Date, the ratio of:
    - i. the aggregated Net Cash Flow in respect of such AssetCo projected for the Test Period following the Test Date; to
    - ii. the AssetCo Debt Service Requirement of such AssetCo projected for the Test Period immediately following the Test Date.
  - (d) Projected Senior DSCR means, as at the Test Date, the ratio of:
    - i. the aggregated Net Cash Flow in respect of all AssetCos projected for the Test Period immediately following the Test Date; to
    - ii. the aggregated AssetCos Debt Service Requirement in respect of all AssetCos projected for the Test Period immediately following the Test Date.
4. We also confirm that:
  - (a) to the best of the knowledge and belief of the signatories to this Compliance Certificate having made all due enquiries, no Default has occurred and is continuing other than as previously notified or waived;
  - (b) to the best of the knowledge and belief of the signatories to this Compliance Certificate having made all due enquiries, no Monitoring Trigger Event has occurred and is continuing with the exception of the Kent AssetCo Monitoring Trigger Event (note that the Plymouth AssetCo Monitoring Trigger Event has ceased as at 1 March 2024) as set out below;
 

With regard to the Kent AssetCo, the Trigger Level 2, Phase 1 Monitoring Trigger Event notified on 15 December 2020 is ongoing (and moved into a Trigger Level 2, Phase 2 Monitoring Trigger Event from 16 December 2023), and the following steps are being taken to remedy the referenced Monitoring Trigger Event:

    - » A remedial plan setting out the cure period and measurable milestones (the "Kent Remedial Plan") has been implemented in full consultation with the Monitoring Adviser in line with the provisions in the CTA. We are implementing the incremental requirements that arise as a result of the Trigger Level 2, Phase 2 Monitoring Trigger Event in conjunction with the Monitoring Adviser.



- » The Kent AssetCo is continuing to provide quarterly reports to the Monitoring Adviser outlining its actual performance against the agreed performance objectives set out in the Kent Remedial Plan (the most recent relating to the quarter period ending 29 February 2024). The Monitoring Adviser has since, provided its quarterly review report stating its views and analysis of the Trigger Level 2, Phase 2 Monitoring Trigger Event as required. This report is available per the notification to the Noteholders dated 7 March 2024 and as updated on the UPP Investor website, most recently on 29 February 2024.
- » The Monitoring Adviser undertook a site visit at the Kent Property most recently during September 2022.
- » On 26 October 2022, the Kent AssetCo sought consent to issue a claim against the underlying contractor, relative to certain defects that have been identified at the Kent Property. Such consent was granted on 31 October 2022.

The Plymouth AssetCo entered a Trigger Level 2, Phase 1 Monitoring Trigger Event on 31 August 2019 (and moved into a Trigger Level 2, Phase 2 Monitoring Trigger Event from 1 September 2022). The Trigger Level 2, Phase 2 Monitoring Event ceased following the calculation of the financial ratios as at the 29 February 2024 Test Date. In accordance with paragraph 7 of Schedule 1, Part 2 of the Monitoring Services Agreement, the Plymouth AssetCo is therefore no longer subject to enhanced monitoring (that results from a Monitoring Trigger Event) following 1 March 2024. Note the last quarterly monitoring report for the Plymouth AssetCo was submitted on 29 February 2024, with the Monitoring Adviser subsequently providing its quarterly review in a notification dated 7 March 2024 (please see the update on the UPP Investor website, most recently on 29 February 2024).

- (c) to the best of the knowledge and belief of the signatories to this Compliance Certificate having made all due enquiries, no Lock-Up Event has occurred and is continuing;
- (d) to the best of the knowledge and belief of the signatories to this Compliance Certificate having made all due enquiries, the Group is in compliance with the Hedging Policy; and
- (e) this Compliance Certificate is accurate in all material respects.

Yours faithfully

**Mark Bamford**

Chief Financial Officer

For and on behalf of UPP Bond 1 Limited

For and on behalf of UPP Bond 1 Issuer Plc

**Simon Boorne**

Executive Group Investment Director



## Enquiries

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Executive Group Investment  
Director

Tel: 020 7398 7200

### Important Note Regarding Confidentiality:

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### DISCLAIMER

#### Forward-looking statements:

Unless otherwise stated, the figures in the Summary reflect the position as at 29 February 2024. In addition, the Summary contains forward-looking statements that reflect the current judgment of the management of the Obligors regarding conditions that it expects to exist in the future. Forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that will occur in the future and, accordingly, are not guarantees of future performance. Management's assumptions rely on its operational analysis and expectations for the operating performance of each Obligor's assets based on their historical operating performance and management expectations as described herein. Factors beyond management's control could cause events to differ from such assumptions and actual results to vary materially from the expectations discussed herein. Investors are cautioned that the assumptions and forecast information included herein are not fact and should not be relied upon as being necessarily indicative of future results and are cautioned not to place undue reliance on such assumptions and forecast information. It should also be noted that the information in this Investor Report has not been reviewed by the Obligors' auditors.

#### Note on higher education sector:

This document includes information derived from third-party reports or publicly available information. This information has not been independently verified and no representation is being made as to the accuracy, fairness and completeness. Notwithstanding this, the third-party sources of information generally state that the information is derived from reliable sources.

This report is not intended as an offer for sale or subscription of, or solicitation of any offer to buy or subscribe, any security of UPP Bond 1 Issuer Plc or any other member of the UPP Group nor should it or any part of it form the basis of, or be relied on in connection with, any contract or commitment whatsoever.



# Appendix

Unaudited consolidated financial statements  
For the six months ended 29 February 2024



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# Principal activity

UPP Bond 1 Holdings Limited (“the Company”) is the parent company of UPP Bond 1 Holdings Limited group (“the Group”). The Company’s principal activity is that of a holding company for its subsidiary undertakings. The principal activity of the subsidiary undertakings is the operation of student accommodation and the provision of related facilities management services for seven AssetCos; consisting of 11,731 rooms (2023: 11,699).



## Group income statement for the six months ended 29 February 2024

	Notes	Unaudited Six months ended 29 February 2024 £'000	Unaudited Six months ended 28 February 2023 £'000
Turnover	5	39,756	37,368
Cost of sales		(13,710)	(11,321)
Gross profit		26,046	26,047
Operating expenses		(8,115)	(8,281)
Operating profit	8	17,931	17,766
Interest receivable and similar income	9	2,101	2,673
Interest payable and similar charges	10	(42,238)	(47,679)
Loss on ordinary activities before taxation		(22,206)	(27,240)
Tax credit/(charge) on loss on ordinary activities	11		
<b>Loss for the financial period</b>		<b>(22,206)</b>	<b>(27,240)</b>

The above results all relate to continuing operations.

The notes on pages 32 to 50 form part of these financial statements.

## Group statement of comprehensive income for the six months ended 29 February 2024

	Unaudited Six months ended 29 February 2024 £'000	Unaudited Six months ended 28 February 2023 £'000
Loss for the financial period	(22,206)	(27,240)
Fair value movements on RPI swaps	2,921	6,089
<b>Total other comprehensive loss</b>	<b>2,921</b>	<b>6,089</b>
<b>Total comprehensive loss for the period</b>	<b>(19,285)</b>	<b>(21,151)</b>

The notes on pages 32 to 50 form part of these financial statements.

# Group statement of financial position as at 29 February 2024



	Notes	Unaudited 29 February 2024 £'000	31 August 2023 £'000
<b>Fixed assets</b>			
Intangible assets	12	103,291	105,331
Tangible assets	13	631,876	635,100
		<b>735,167</b>	<b>740,431</b>
<b>Current assets</b>			
Debtors: amounts falling due within one year	14	11,434	11,385
Cash at bank and in hand		60,683	46,040
		<b>72,117</b>	<b>57,425</b>
Creditors: amounts falling due within one year	15	(40,989)	(30,197)
<b>Net current assets</b>		<b>31,128</b>	<b>27,228</b>
<b>Total assets less current liabilities</b>		<b>766,295</b>	<b>767,659</b>
<b>Liabilities</b>			
Creditors: amounts falling due after more than one year	16	(940,307)	(922,386)
<b>Net assets excluding provisions</b>		<b>(174,012)</b>	<b>(154,727)</b>
<b>Provisions</b>			
Defined benefit pension liability	17	178	178
Provisions for liabilities	17	(7,564)	(7,564)
<b>Net liabilities</b>		<b>(181,398)</b>	<b>(162,113)</b>
<b>Share capital and reserves</b>			
Called-up share capital	18	55,570	55,570
Revaluation reserve		118,555	118,555
Cash flow hedge reserve		(32,291)	(35,212)
Profit and loss account		(323,232)	(301,026)
		<b>(181,398)</b>	<b>(162,113)</b>

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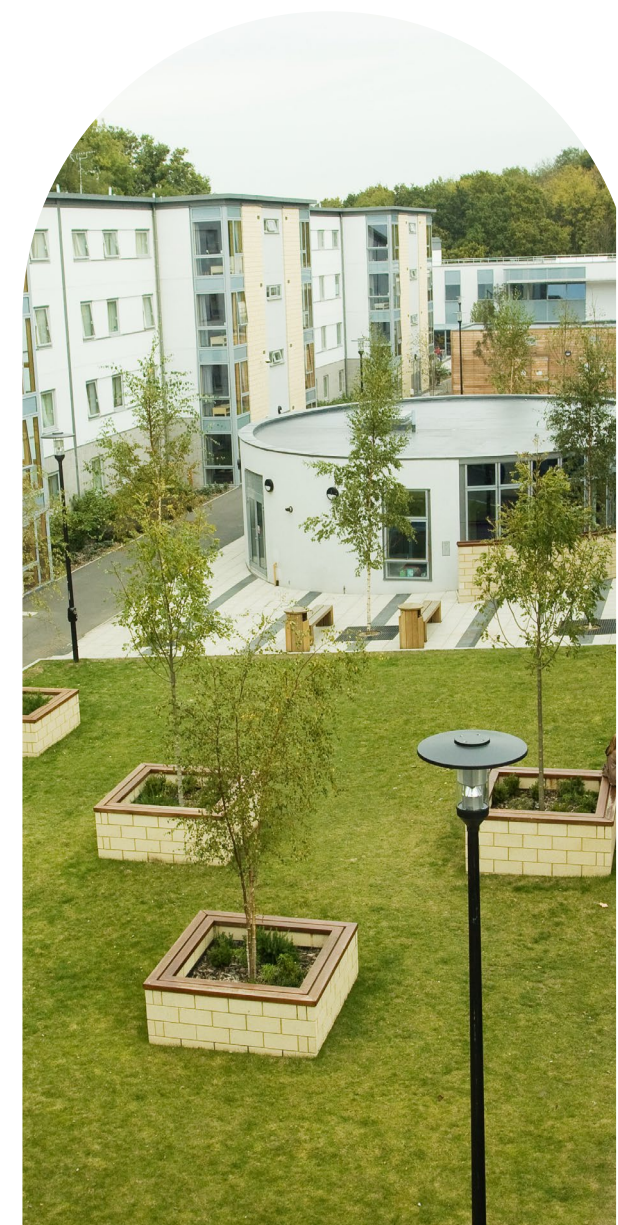
The notes on pages 32 to 50 form part of these financial statements.

# Group statement of changes in equity for the six months ended 29 February 2024

## Attributable to owners of the Parent

	Share capital £'000	Revaluation reserve £'000	Cash flow hedge reserve £'000	Profit and loss account £'000	Total equity £'000
<b>At 1 September 2022</b>	55,570	106,669	(38,147)	(227,975)	(103,883)
Loss for the financial period	-	-	-	(27,240)	(27,240)
Other comprehensive income	-	-	6,089	-	6,089
<b>Balance at 28 February 2023</b>	55,570	106,669	(32,058)	(255,215)	(125,034)
<b>At 1 March 2023</b>	55,570	106,669	(32,058)	(255,215)	(125,034)
Loss for the financial period	-	-	-	(47,971)	(47,971)
Transfer to profit & loss account	-	(1,789)	-	1,789	-
Other comprehensive income	-	13,675	(3,154)	371	10,892
<b>Balance at 31 August 2023</b>	55,570	118,555	(35,212)	(301,026)	(162,113)
<b>At 1 September 2023</b>	55,570	118,555	(35,212)	(301,026)	(162,113)
Loss for the financial period	-	-	-	(22,206)	(22,206)
Other comprehensive income	-	-	2,921	-	2,921
<b>Balance at 29 February 2024</b>	55,570	118,555	(32,291)	(323,232)	(181,398)

The notes on pages 32 to 50 form part of these financial statements.



# Group statement of cash flows for the six months ended 29 February 2024

	Notes	Unaudited Six months ended 29 February 2024 £'000	Unaudited Six months ended 28 February 2023 £'000
<b>Net cash flow inflow from operating activities</b>	19(a)	32,899	19,981
<b>Investing activities</b>			
Interest received		1,407	701
<b>Net cash flow from investing activities</b>		1,407	701
<b>Financing activities</b>			
Cash outflow from repayment of fixed-rate debt		(7,668)	(6,965)
Cash outflow from repayment of index-linked debt		(3,380)	(3,073)
Interest paid		(8,615)	(8,689)
<b>Net cash flow from financing activities</b>		<b>(19,663)</b>	<b>(18,727)</b>
<b>Increase in cash and cash equivalents</b>		<b>14,643</b>	<b>1,955</b>
<b>Cash and cash equivalents at 1 September</b>		<b>46,040</b>	<b>52,727</b>
<b>Cash and cash equivalents at 29 February (28 February)</b>	19(b)	<b>60,683</b>	<b>54,682</b>

The notes on pages 32 to 50 form part of these financial statements.



# Notes to the unaudited consolidated financial statements for the six months ended 29 February 2024

## 1. Company information

UPP Bond 1 Holdings Limited is a limited liability company incorporated in England. The registered office is 1st Floor, 12 Arthur Street, London, EC4R 9AB.

## 2. Basis of preparation

These interim financial statements have been prepared in accordance with The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for all derivative instruments and revaluation of fixed assets as specified in the accounting policies below.

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

For the purposes of these financial statements and the relevant notes provided the comparative period is for the six-months ended 28 February 2023 for the Statement of Comprehensive Income and 31 August 2023 for the Statement of Financial Position.

## Basis of consolidation

The non-statutory consolidated financial statements consolidate the financial statements of UPP Bond 1 Holdings Limited and its subsidiaries using the acquisition method from the date control passes to the Group.

The Directors consider the acquisition of subsidiary undertakings by way of a share for share exchange and cash purchase of minorities from the Parent Company on 5 March 2013 and 9 December 2014 as a series of transactions and not individual transactions.

On this basis, the Directors have concluded that acquisition accounting must be applied as overall the series of transactions do not qualify for merger accounting and have prepared these financial statements accordingly.

## Going concern

Notwithstanding Group net liabilities of £181,398k (2023: £162,113k) 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.

A key feature of the Company's subsidiaries contractual arrangements 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 Company's subsidiaries have secured sufficient occupancy to remain compliant with its 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 year remains 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. The directors received a letter of support and confirmation from the Group's parent undertaking, UPP Group Limited that financial support will be provided to the Group, such that it is able to meet its liabilities as they fall due, in connection with the last statutory accounts and that letter of support continues in effect over the period covered by these interim financial statements and for the remainder of the financial year.

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.



### 3. Judgements and key sources of estimation uncertainty

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

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

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

#### Revaluation of the principal assets (note 13)

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

#### Valuation of RPI swaps (note 16)

A number of Group companies entered into derivative financial instruments, being RPI swaps, to manage the Group's exposure to RPI.

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

#### Goodwill useful economic life (note 12)

The Group establishes a reliable estimate of the useful economic life of goodwill arising on business combinations. Goodwill attributed to subsidiary undertakings is amortised on a straight-line basis over the remaining lease period on the principal asset held by each subsidiary. This period of amortisation represents the period over which each subsidiary undertaking acquired will continue to generate operating cash flows. For further details refer to note 12.

### Impairment of non-financial assets (note 12)

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

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

### Defined benefit pension scheme (note 17)

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



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

### **Presentation of the principal asset (note 13)**

Rent receivable is generated from the Group's interests in university accommodation.

These interests fall within the scope of Section 34 of FRS 102, however, due to the transitional relief adopted in relation to service concession arrangements, the Group continues to account for all its principal assets applying the policies under the extant UK GAAP, FRS 5 (Application Note F) (please see note 4(a)).

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

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

### **Classification of index-linked financial instruments (note 16)**

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

### **Hedge accounting for inflation swaps (note 16)**

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



## 4. Principal accounting policies

### (a) Tangible fixed assets

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

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

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

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

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

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

### (b) Turnover

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

### (c) Intangible assets

Goodwill arising on acquisition of subsidiary undertakings is the difference between the fair value of consideration paid and the fair value of the net assets acquired from the date that control passes.

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

### (d) Investment in subsidiaries

Investments in subsidiaries are measured at cost less accumulated impairment.



### (e) Debtors

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

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

### (f) Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than 95 days from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

### (g) Interest bearing loans and borrowings

Fixed rate senior secured notes, index-linked senior secured notes and subordinated loan notes are initially measured at transaction price, net of transaction costs. They are then subsequently measured at amortised cost using 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 flows through the expected life of the financial liability, or (where appropriate) a shorter year, to the net carrying amount on initial recognition.

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

### (h) Creditors

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

### (i) Derivative instruments

To mitigate its exposure to changes in inflation, the Group has entered into inflation-linked swaps ('RPI swaps') with external counterparties. All derivative instruments are initially measured at fair value on the date the contract is entered into and subsequently re measured to fair value at each reporting date.

The gain or loss on re measurement is taken to the income statement in finance cost or finance income as appropriate unless they are included in a hedging arrangement.

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

### (j) Hedge accounting

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

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

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

The gain or loss recognised in other comprehensive income is reclassified to the income statement when the hedge relationship ends. Hedge accounting is discontinued when the hedging instrument expires, no longer meets the hedging criteria, the forecast transaction is no longer highly probable, the hedged debt instrument is de-recognised or the hedging instrument is terminated.

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

### (k) Interest payable & similar charges

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

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

### (l) Borrowing costs

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

### (m) Taxation

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

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date in the countries where the Company and the Group operate and generate income.

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

### (n) Related party transactions

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

### (o) Defined contribution pension scheme

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

The contributions are recognised as an expense in the Group income statement when they fall due. Amounts not paid are shown in accruals as a liability in the Group statement of financial position. The assets of the plan are held separately from the Group in independently administered funds.



### (p) Defined benefit pension plan

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

The liability or asset recognised in the Group statement of financial position in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the Group statement of financial position date less the fair value of plan assets at the balance sheet date (if any) out of which the obligations are to be settled.

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

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

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

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

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

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in income statement as a 'finance expense'.

### (q) Interest income

Interest income is recognised in the Group income statement using the effective interest method.



## 5. Turnover

Turnover represents income, on the basis of accounting policy 4(b), was attributed to the provision of student accommodation.

All turnover arose within the United Kingdom.

## 6. Directors' remuneration

The immediate subsidiary undertaking, UPP Bond 1 Limited, paid fees of £10,864 (2023: £12,553) to Intertrust Management Limited in respect of services performed in connection with the management of the affairs of the Group for the period up to 29 February 2024.

All Directors and certain senior employees who have authority and responsibility for planning, directing and controlling the activities of the Group are considered to be key management personnel.

No Directors or other key management personnel of the Group received payment for services performed in relation to the management of the Group other than already mentioned above.

## 7. Staff costs

	Unaudited six months ended 29 February 2024 £'000	Unaudited six months ended 28 February 2023 £'000
Wages and salaries	3,740	3,471
Social security costs	326	305
Pension costs	204	182
	<b>4,270</b>	<b>3,958</b>





## 8. Operating profit

The operating profit is stated after charging:

	<b>Unaudited six months ended 29 February 2024 £'000</b>	<b>Unaudited six months ended 28 February 2023 £'000</b>
Depreciation	3,224	2,703
Amortisation of goodwill	2,040	1,971

## 9. Interest receivable and similar income

	<b>Unaudited six months ended 29 February 2024 £'000</b>	<b>Unaudited six months ended 28 February 2023 £'000</b>
Bank interest	1,406	747
Financial assets measured at fair value through profit or loss		
Fair value movement on RPI swaps	695	1,926
	<b>2,101</b>	<b>2,673</b>





## 10. Interest payable and similar charges

	Unaudited six months ended 29 February 2024 £'000	Unaudited six months ended 28 February 2023 £'000
Financial liabilities measured at amortised cost		
Fixed-rate senior secured notes	6,407	6,625
Index-linked senior secured notes	10,220	18,688
Unsecured loan notes	24,052	22,312
Amortised cost adjustment on Unsecured Loan notes	1,559	54
	<b>42,238</b>	<b>47,679</b>
Financial liabilities measured at fair value through profit or loss		
Fair value movement on RPI swaps	-	-
	-	-

## 11. Tax on loss on ordinary activities

UPP REIT Holdings Limited is a Real Estate Investment Trust ('REIT'). As a result, the deferred tax accrued to the date of conversion in respect of assets and liabilities of the qualifying property rental business has been released due to the relevant temporary differences no longer being taxable on reversal.

As a result of converting to a REIT, the Company and Group no longer pays UK corporation tax on profits and gains from qualifying property rental business providing it meets certain conditions. Non-qualifying profits and gains continue to be subject to UK corporation tax as normal.



## 12. Intangible fixed assets

	<b>Goodwill £'000</b>
<b>Cost</b>	
At 1 September 2023 and at 29 February 2024	145,035
<b>Amortisation</b>	
At 1 September 2023	(39,704)
Charge for the period	(2,040)
<b>At 29 February 2024</b>	<b>(41,744)</b>
<b>Net book value</b>	
<b>At 29 February 2024</b>	<b>103,291</b>
At 31 August 2023	105,331

Goodwill arose on the acquisition of UPP (Alcuin) Limited, UPP (Broadgate Park) Holdings Limited, UPP (Kent Student Accommodation) Limited, UPP (Nottingham) Limited, UPP (Oxford Brookes) Limited, UPP (Plymouth Three) Limited and UPP (Exeter) Limited by UPP Bond 1 Limited, a subsidiary undertaking, and is the difference between the consideration given and the fair value of the net assets acquired.

Goodwill is amortised on a straight-line basis over the remaining lease period on the principal asset held by each of the subsidiaries which expire between 2048 and 2058. This period of amortisation is greater than 20 years but represents the period over which the subsidiary undertaking acquired will continue to generate operating cash flows. The Group has not identified any indicators of impairment during the period.

## 13. Tangible fixed assets

	<b>Assets for use in operating leases £'000</b>
<b>Cost or valuation</b>	
At 1 September 2023 and at 29 February 2024	635,100
<b>Depreciation</b>	
At 1 September 2023	-
Charge during the period	<b>(3,224)</b>
<b>At 29 February 2024</b>	<b>(3,224)</b>
<b>Net book value</b>	
<b>At 29 February 2024</b>	<b>631,876</b>
At 31 August 2023	635,100

Fixed assets include finance costs up to the date of completion of £16,771k (2023: £16,771k), these have been capitalised at 100%.

Assets used in operating leases were independently valued by Jones Lang LaSalle Limited ("JLL"), Chartered Surveyors, on an existing use basis at 31 August 2022. JLL confirmed that the value as at that date was £627,400k. A directors' valuation was undertaken during the year ended 31 August 2023, confirming that the value increased by £7,700k.

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

- » Discount rates 7.90% - 8.50%
- » Occupancy rates 99%
- » Long term annual rental growth 3%

## 14. Debtors: amounts falling due within one year

	Unaudited 29 February 2024 £'000	31 August 2023 £'000
Trade debtors	156	1,284
Amounts owed by related parties	3,441	2,993
Prepayments and accrued income	866	113
VAT receivable	26	50
Group relief receivable	6,945	6,945
	<b>11,434</b>	<b>11,385</b>

Amounts owed by related parties are interest free and repayable on demand.

## 15. Creditors: amounts falling due within one year

	Unaudited 29 February 2024 £'000	31 August 2023 £'000
Senior secured notes	16,623	15,612
Trade creditors	(419)	-
Accruals and deferred income	20,783	9,234
Amounts owed to related parties	4,002	5,351
	<b>40,989</b>	<b>30,197</b>

The amounts owed to related parties are interest free and repayable on demand.



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

	<b>Unaudited 29 February 2024 £'000</b>	<b>31 August 2023 £'000</b>
Fixed rate senior secured notes	240,890	248,353
Index-linked senior secured notes	267,742	263,310
Unsecured loan notes	404,507	378,929
Derivative financial instruments	43,791	47,406
	<b>956,930</b>	<b>937,998</b>
Less: included in creditors amounts falling due within one year	(16,623)	(15,612)
	<b>940,307</b>	<b>922,386</b>

	<b>Unaudited 29 February 2024 £'000</b>	<b>31 August 2023 £'000</b>
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### Maturity of debt

Repayable within one year or on demand	16,623	15,612
Repayable in more than one year but less than two years	17,600	16,466
Repayable in more than two years but less than five years	58,324	55,230
Repayable in more than five years	864,383	850,690
	<b>956,930</b>	<b>937,998</b>
Less: included in creditors amounts falling due within one year	(16,623)	(15,612)
	<b>940,307</b>	<b>922,386</b>

### Senior secured notes

On 5 March 2013 one of the Group's subsidiary undertakings, UPP Bond 1 Issuer plc, 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 other subsidiary undertakings 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 repayments are scheduled to commence in August 2038.

On the same day the Group entered into derivative financial instruments, being RPI swaps. This is to manage the exposure to RPI movements on the underlying portion of revenue streams generated by the Group used to repay the fixed-rate senior secured notes.

On 9 December 2014, UPP Bond 1 Issuer plc, issued £149,700,000 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 UPP (Exeter) Limited to enable the Company to repay its previous bank facilities and associated costs.

The index-linked senior secured notes are fully-amortising by 2049 with a real interest rate of 1.037% increasing semi-annually by RPI. The notional amount of these notes at issuance was £149,700,000 with repayments commencing in February 2015.

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

### Unsecured loan notes

UPP Group Limited has provided unsecured loan notes of £146,669,000. These loan notes bear interest at 13.5% and are repayable by 2057. Payment of interest is subject to the Group passing lock up tests and availability of cash reserves.

## Derivative financial instruments

	Cash flow hedge reserve £'000	Profit and loss account £'000	Total £'000
Fair value of RPI swaps at 1 September 2023	(35,212)	(12,194)	(47,406)
Fair value movement in the period	2,921	695	3,616
<b>Fair value of RPI swaps at 29 February 2024</b>	<b>(32,291)</b>	<b>(11,499)</b>	<b>(43,790)</b>

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

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

## 17. Provisions for liabilities

	Cladding - University of Plymouth £'000	Cladding - University of Kent £'000	Total £'000
At 1 September 2023	64	7,500	7,564
Provision made during the period	-	-	-
Provision used during the period	-	-	-
<b>At 29 February 2024</b>	<b>64</b>	<b>7,500</b>	<b>7,564</b>

In prior years, following detailed inspections, the Directors identified various remediation works that needed to be addressed at buildings at the University of Kent. Accordingly, at the previous year end a provision of £7,500k has been recognised as the directors believe the Group has a present obligation, it is probable that transfer of economic benefit will be required and the obligation can be reliably estimated. Inspections and assessments are continuing and, as a result, the provision continues to be recognised.

In financial year ended 31 August 2021 a provision of £3,999k was raised for works required at the University of Plymouth. Whilst the works have reached practical completion it is anticipated that £64k of costs remain.

The Group operates a defined contribution retirement benefit scheme for qualifying employees. The net value of the pension commitments as at 29 February 2024 was net asset of £178k (31 August 2023: £178k).

## 18. Called-up share capital

	Unaudited 29 February 2024 £'000	31 August 2023 £'000
<b>Issued, allotted, called-up and fully-paid</b>		
55,570,409 Ordinary shares of £1 each	55,570	55,570

On 15 October 2012 the Company issued 1 ordinary share of £1 each at par. On 16 January 2013 the Company issued 50,000 ordinary shares of £1 each at par for cash consideration.

On 5 March 2013 the Company issued 32,884,298 ordinary shares of £1 each at par in exchange for the issued share capital in six subsidiary undertakings owned by UPP Group Limited. On the same day the Company also issued 3,914,429 ordinary shares of £1 each at par for cash consideration.

On 9 December 2014 the Company issued 18,721,682 ordinary shares of £1 each at par in exchange for the issued share capital in UPP (Exeter) Limited owned by UPP Group Limited.

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

## 19. Notes to the statement of cash flows

(a) Reconciliation of operating profit to net cash inflow from operating activities:

	Unaudited six months ended 29 February 2024 £'000	Unaudited six months ended 28 February 2023 £'000
Operating profit	17,931	17,766
Depreciation	3,224	2,703
Goodwill amortisation	2,040	1,971
Decrease / (Increase) in debtors due within one year	(72)	483
Increase/ (Decrease) in creditors due within one year	9,776	(2,942)
<b>Net cash inflow from operating activities</b>	<b>32,899</b>	<b>19,981</b>

(b) Cash and cash equivalents comprise the following:

	At 29 February 2024 £'000	At 28 February 2023 £'000
Cash at bank and in hand	60,570	54,574
Short-term deposits	113	108
Cash and cash equivalents	60,683	54,682

## 20. Financial risk management

The use of financial instruments is managed under policies and procedures approved by the Board. These are designed to reduce the financial risks faced by the Group, which relate to interest, inflation and liquidity risks as well as demand and portfolio risk which arise in the normal course of the Group's business.

### Interest rate risk

Through the issue of fixed rate loan notes the Group 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).

### Inflation rate risk

The Group funds its financing activities through the provision of student accommodation and rental income received on this accommodation. Growth in rental income is linked to the movement in RPI and the Group manages the exposure to this index through a mix of inflation-linked debt and the use of RPI swaps to hedge a portion of the fixed rate debt servicing costs.

To mitigate the impact of inflation movements on future rental income and the Group's ability to service the fixed rate tranche of the bond debt UPP Bond 1 Issuer Plc, a fellow Group undertaking, has entered into RPI swaps with external counterparties all initially entered into on 5 March 2013, details of which are as follows:

### External hedge arrangements

- » a 27-year RPI swap with Royal Bank of Canada commencing in August 2013 and finishing in February 2040
- » a 24-year RPI swaps with Royal Bank of Canada commencing in June 2016 and finishing in February 2040
- » a 27-year RPI swap with Mitsubishi UFJ Securities International plc 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.

These instruments with matching derivative instruments are on-lent to six AssetCos. This is to manage the exposure of the Group to RPI movements from loan receipts from AssetCos where revenue streams are sensitive to inflation rate risk.

### 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 AssetCo on-loan agreement with Bond 1 Issuer Plc.

RPI swaps are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged.

Due to limitations on the application of hedge accounting, volatility has been introduced into the income statement as market value movements are not fully offset by movements in the underlying hedged item within each period and/or hedging items do not meet the qualifying criteria of being separately identifiable and reliably measurable. We note, however, that these limitations within Section 12 do not impact the Group's cash flow position. The reasons for entering into RPI swaps remain commercially sound, that is they are intended to be held to maturity in order to reduce volatility in the Group's cash flows.

### Liquidity risk

The Group 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 Group's facility agreements require adequately funded reserve accounts which provide further mitigation against liquidity risk. The maturity of borrowings is set out in note 16 to the financial statements.



### Terms and debt repayment schedule

	Currency	Effective interest rate (%)	Year of maturity	Book value £'000
Fixed-rate senior secured notes	£	4.9023%	2040	240,890
Index-linked senior secured notes (issued 2013)	£	2.7291%	2047	109,417
Index-linked senior secured notes (issued 2014)	£	1.0370%	2049	158,325
Unsecured loan notes (issued 2013)	£	13.500%	2056	404,507
				<b>913,139</b>

#### Demand risk

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

#### Portfolio risk

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

## 21. Financial instruments

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

	Carrying amount At 29 February 2024 £'000	Carrying amount At 31 August 2023 £'000
<b>Financial assets</b>		
Financial assets measured at fair value:		
Trade debtors	156	1,284
Related party receivable	10,386	9,938
<b>Total financial assets measured at amortised cost</b>	<b>10,542</b>	<b>11,222</b>
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost:		
Fixed-rate senior secured notes	240,890	248,353
Index-linked senior secured notes	267,742	263,310
Unsecured loans	404,507	378,929
Trade creditors	(419)	-
Accruals (excluding deferred income)	7,770	8,620
Other related party balances	4,002	5,351
<b>Total financial liabilities measured at amortised cost</b>	<b>924,492</b>	<b>904,563</b>
Financial assets measured at fair value		
Derivative financial liability	43,791	47,406
<b>Total financial liabilities measured at fair value</b>	<b>43,791</b>	<b>47,406</b>

## 22. Parent undertaking and controlling party

The Group is wholly owned by UPP Group Limited, a company itself a wholly owned subsidiary of UPP Group Holdings Limited, in turn wholly owned by UPP REIT Holdings Limited.

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

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

Copies of the UPP REIT Holdings Limited accounts can be obtained from [www.upp-ltd.com](http://www.upp-ltd.com), once they have been published.

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





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