

UPP REIT Holdings Limited

Condensed consolidated interim
financial statements for the six months
ended 28 February 2023



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Directors and advisors

Directors	Mark Bamford (appointed 03 October 2022)
	Stuart Bousfield (resigned 20 March 2023)
	Jaime Francisco Fernandez-Cuervo Infiesta (appointed 06 September 2022)
	Elaine Hewitt
	Jingshen Hu (resigned 06 September 2022)
	Hendrik Huizing (resigned 18 October 2022)
	Chilei Kao (appointed 06 September 2022)
	Robert McClatchey
	Natasha Mol-Knechtel (appointed 09 November 2022)
	Brian Welsh (appointed 20 March 2023)
	Andrew Wilkie (resigned 06 September 2022)
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Secretary	Sanne Secretaries Limited
	–
Registered office	IFC 5, St. Helier, Jersey, JE1 1ST



Strategic Report

Strategic Report

The Directors present their report and financial statements for the six months ended 28 February 2023.

Principal activity and business review

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

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

The results for the six months ended 28 February 2023 continue to demonstrate the resilience of the UPP business model, which delivers returns based on stable, long-term, RPI-linked revenues.

During the period, the Group saw revenue increase by 3.2 per cent with contractual rental increases being applied across the portfolio. Gross profit grew by 0.1 per cent to £75.2 million (2021/22: £75.2 million), with rental increases offset by higher utility costs due to wholesale price rises. The loss for the period increased by 8.8 per cent to £22.3 million (2021/22: £20.5 million) due to higher RPI linked financing costs and tax charges partially offset by derivative valuation gains.

The beginning of the financial year 2022/23 saw a continuing focus on the long-term strategic management of assets under operation, including defects management. The Group completed a further major programme of asset investment works during

the summer of 2022 totalling £19 million across the portfolio. This included significant refurbishment work on Alcuin town houses at the University of York, the refurbishment of Hampden Hall as part of UPP (Nottingham) Limited, and a major programme of window replacement at Broadgate Park serving the University of Nottingham.

The Group also completed a significant programme of remedial works to the Francis Drake building at Plymouth, which was achieved to budget and ahead of the beginning of the 2022/23 academic year. The costs of these works totalled £3.8 million. In addition to these, intrusive survey works have also identified defects in the cladding on the Woolf halls of residence at the University of Kent. Remedial works are currently being scoped and, as with UPP (Plymouth Three) Limited, UPP (Kent Student Accommodation 1) Limited is seeking recovery of any costs and losses associated with remediating the residence from the original building contractor. A provision of £7.5 million was recognised in the relevant accounts for the financial year ended 31 August 2022. It is anticipated that works will take place during the next financial year. Works are also underway and on schedule to remedy identified defects at the Byron House halls of residence at Nottingham Trent University. Costs are being shared with the original building contractor, with a provision of £2.3 million recognised at the previous year-end.

In September 2022, UPP was selected as the preferred bidder to deliver the design, development, financing and operation of the University of Exeter's Clydesdale & Birks Residential Project. The project will be a truly leading-edge sustainable campus development scheme, with UPP and the University of Exeter currently working towards financial close.

The Clydesdale & Birks Residential Project will develop over 1,700 new student rooms, retrofit the building at Birks Grange and create a new grounds compound for the University. It will be the largest and most innovative on-campus Passivhaus scheme in the sector and will set a high benchmark for truly sustainable student accommodation development in the future. On completion of the final phase UPP will be operating more than 6,000 rooms on the University's Streatham Campus.

The Exeter scheme follows the Group's commitment to the Science Based Targets initiative (SBTi) Net-Zero Standard, which it announced in March 2022 responding to investor requests to clarify our position on Scopes 1,2 and 3. SBTi is a global initiative publicly declaring, setting, and implementing scientifically based greenhouse gas emissions reduction targets in order to reach the Paris Agreement target of keeping the global temperature increase to 1.5°C. The Net-Zero Standard is the world's first and leading framework for corporate net-zero target setting in line with climate science and provides a common, robust, and science-based understanding of net-zero on an independently assured basis. The science-based targets approach will enable the business to reduce its carbon emissions and provide tangible metrics by which our success can be measured.

The six months to 28 February 2023 have also proved a busy period for business development activity. Active bidding is taking place both on new potential transactions as well as standalone facilities management contracts. In the case of the former, during the reporting period the Group has been shortlisted for the redevelopment of student accommodation at the College of St Hild and St Bede at Durham University including the establishment of a new 19th College located on the Leazes Road site. Numerous FM opportunities are also being pursued and these follow successful tender opportunities at Leeds Beckett University, Imperial College, and the University of Kent over recent years.

In terms of key appointments to the Executive Leadership Team (ELT) during the period, Mark Bamford joined the business in October 2022 as Chief Financial Officer. Mark joined UPP from Thames Water where he was Group Financial Controller and Finance Director Operations and Capital Delivery since 2017. Mark

has 25 years' experience in the telecommunications, utilities, financial and professional services sectors. Before joining Thames Water, Mark spent six years at Arqiva, the UK communications and broadcasting infrastructure company, in the role of Finance Director and Director, Wireless Infrastructure Management. In November, the ELT also welcomed Deborah Prince as Chief Marketing Officer to the organisation. Deborah brings a wealth of experience spanning more than 20 years in key communication and marketing roles in the public and private sector.

Our people continue to be a core focus of the business, relying as it does on the quality, capability and collective skill and expertise of our teams. We aim to provide an excellent experience for students and colleagues, one which embodies equality of treatment and inclusion, and equips our teams to be socially purposeful professionals and citizens.

The Company continues to hold the prestigious We Invest In People Gold Accreditation and in February received a Commended Gold Award by the Royal Society for the Prevention of Accidents (RoSPA) in recognition of its excellent health and safety standards. At a time when the overall health and wellbeing of people is paramount, to be acknowledged by an internationally recognised and prestigious scheme for the lengths we go to for our employees is something of which we are extremely proud.





In terms of wider market conditions, UK HE continues to see strong rates of academic demand both domestically and from overseas. 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 2022 application cycle (i.e. for the academic year 2022/23) identified that in total 761,740 people across the UK applied to universities, an increase of 15,620 students (2.1 per cent) on 2021. Of this number 563,175 were accepted (+0.2 per cent). The long-term projected increase in the 18-year-old population continues, with the overall entry rate for UK 18-year-olds – one of the key demand cohorts for accommodation operated by UPP – standing at 37.5 per cent this year, the second highest on record.

Demand for academic places increased for the 2022 cycle and in particular UK 18-year-olds were still keen to apply with 330,780 applicants in this age cohort – up from 315,945 in 2021 (+4.7 per cent). This proved significantly higher than the pre-pandemic total of 280,815 in 2019 (+17.8 per cent). The impact of this increase in UK 18-year-olds has been that 277,315 gained a place, the highest number to date.

This is striking given that it comes against a backdrop of more cautious offer-making from universities and colleges and particularly so in the case of higher tariff institutions. Whilst 2021 saw the highest ever number of applicants securing their first-choice university

(214,015) 2022 was a close second with 200,615. The figure for 2022 represents 72.3 per cent of all placed UK 18-year-olds, compared to 77.8 per cent in 2021.

In total the number of 18-year-old applicants from all domiciles, increased by 16,580 (4.4 per cent) to 390,395, meaning that there are now approximately 64,000 extra applicants than was the case five years ago – an increase of almost one-fifth (19.4 per cent).

In terms of international demand, the total number of applicants increased in the 2022 cycle, from 142,110 to 149,840. The increase of 7,730 (5.4 per cent) was driven by applicants from outside the EU. Applicant numbers from the EU have fallen for two years since the completion of Brexit, by more than 28,000 or 54 per cent to 24,015. Whilst this was expected, on the basis of post-Brexit modelling, the sector has still had to pivot recruitment towards non-EU demand which has continued to increase. Applicant numbers from outside the EU have increased every year since 2016, and in 2022 more than 125,000 applied – an increase of 15,000 or 13.5 percent year on year.

Turning to the 2023 cycle – applicants for the academic term 2023/24 – data at the UCAS January deadline – representing approximately 90 per cent of those who will apply through the Main Scheme cycle – identify that total applicant numbers were down year on year by 2.3 per cent to 596,590. This was a fall of just over 14,000, 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 the Group's accommodation, UK applicant numbers were down 3.5 per cent to 481,670, a fall of 17,640. As with overall numbers, these figures remain 8.4 per cent higher than 2020, and the third highest total on record. English applicant numbers were down 2.7 per cent (-11,270) year on year to 405,130. Focusing on 18-year-olds, applicant numbers from this cohort fell by less than the average at just 1.1 per cent to 369,090.

Applicants from the EU continue to decline – if more gradually than in recent years – by 1.5 per cent to 20,500. As in other years, an increase in students from outside the EU more than compensated for this, increasing by 3,280 (4.2 per cent) potential students. In terms of the origin of this demand, January's data identifies that applicants from India and Nigerian continue to increase, however, applications from China were down (-4.2 per cent) to 27,710, most likely due to Covid-19 restrictions and disrupted learning.

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.

Based on 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 UPP. Given this, it is the view of the Directors of UPP that the Group is positioned to continue to deliver strong operational performance from a portfolio of assets that are central to the operations of its university partners, and that the ongoing investment performance of the Company will remain robust.

Condensed consolidated statement of profit or loss

For the six months ended 28 February 2023

	Note	Unaudited six months ended 28 February 2023 £'000	Unaudited six months ended 28 February 2022 £'000
Rental and other income	5	106,564	103,284
Cost of sales		(31,319)	(28,129)
Gross profit		75,245	75,155
Operating expenses	6	(38,600)	(37,411)
Operating profit		36,645	37,744
Finance income	8	13,607	4,332
Senior financing interest		(63,601)	(54,184)
Other interest payable & similar charges		(5,917)	(8,352)
Finance cost total	9	(69,518)	(62,536)
Loss on ordinary activities before taxation		(19,266)	(20,460)
Tax on loss on ordinary activities	10	(3,022)	-
Loss for the financial period		(22,288)	(20,460)
Loss for the financial period attributable to:			
Non-controlling interests		(4,279)	(2,489)
Owners of the parent		(18,009)	(17,971)
Loss for the financial period		(22,288)	(20,460)

The above results all relate to continuing operations.

The notes on pages 17 to 42 form part of these financial statements.

Condensed consolidated statement of other comprehensive income

For the six months ended 28 February 2023

	Unaudited six months ended 28 February 2023 £'000	Unaudited six months ended 28 February 2022 £'000
Loss for the financial period	(22,288)	(20,460)
Items that are or may be reclassified subsequently to profit and loss		
Fair value movements on swaps	51,071	(8,559)
	51,071	(8,559)
Total other comprehensive income/(loss) for the period	51,071	(8,559)
Total comprehensive income/(loss) for the period	28,783	(29,019)
Other comprehensive income for the period attributable to:		
Non-controlling interests	605	(42)
Owners of the parent	50,466	(8,517)
Total	51,071	(8,559)
Total other comprehensive income/(loss) for the period attributable to:		
Non-controlling interests	(3,674)	(2,531)
Owners of the parent	32,457	(26,488)
Total	28,783	(29,019)
Loss per share (in GBP)		
Basic	(17.7)	(17.6)
Diluted	(17.7)	(17.6)

The notes on pages 17 to 42 form part of these financial statements.

Condensed consolidated statement of financial position

As at 28 February 2022

	Note	Unaudited 28 February 2023 £'000	31 August 2022 £'000
Assets			
Non-current assets			
Property, plant and equipment		7,010	7,492
Service concession arrangements – Intangible assets	11	1,561,001	1,579,385
Service concession arrangements – Financial assets	15	141,930	138,336
Other intangible assets		115,049	115,661
Total non-current assets		1,824,990	1,840,874
Current assets			
Trade and other receivables		8,873	6,799
Service concession arrangements – Financial assets	15	9,815	9,662
Cash at bank and in hand	23	185,807	167,818
Total current assets		204,495	184,279
Total assets		2,029,485	2,025,153
Equity and liabilities			
Liabilities			
Non-current liabilities			
Borrowings	16	1,797,924	1,777,295
Derivative financial instruments	17	104,955	160,252
Employee benefit obligations		193	193
Total non-current liabilities		1,903,072	1,937,740

Condensed consolidated statement of financial position (continued)

	Note	Unaudited 28 February 2023	31 August 2022
		£'000	£'000
Current liabilities			
Borrowings	16	45,325	49,452
Trade and other payables	14	13,354	11,692
Accrual and deferred income	14	55,159	42,492
Provisions	19	15,115	15,100
Total current liabilities		128,953	118,736
Total liabilities		2,032,025	2,056,476
Equity			
Called-up share capital		1,032	1,032
Share premium account		473,485	473,485
Capital reserves	20	23,428	23,428
Cash flow hedge reserve	20	(86,827)	(137,293)
Retained earnings	20	(391,164)	(373,155)
Equity attributable to owners of the Parent Company		19,954	(12,503)
Non-controlling interest		(22,494)	(18,820)
Total equity		(2,540)	(31,323)

The notes on pages 17 to 42 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board on 23 June 2023 and were signed on its behalf by:



Mark Bamford,
Director

Condensed consolidated statement of changes in equity

For the six months ended 28 February 2023

	Attributable to equity holders of the Parent Company							Non-controlling interest	Total equity
	Share capital	Share premium	Capital reserve	Cash flow hedge reserve	Retained earnings	Shareholders' equity			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000		
At 1 September 2021	1,032	473,485	23,428	(174,285)	(289,260)	34,400	(17,917)	16,483	
Loss for the financial period	-	-	-	-	(17,971)	(17,971)	(2,489)	(20,460)	
Other comprehensive income	-	-	-	(8,517)	-	(8,517)	(42)	(8,559)	
Total comprehensive income	-	-	-	(8,517)	(17,971)	(26,488)	(2,531)	(29,019)	
Transactions with owners									
Dividends paid	-	-	-	-	(8,000)	(8,000)	-	(8,000)	
At 28 February 2022	1,032	473,485	23,428	(182,802)	(315,231)	(88)	(20,448)	(20,536)	
At 1 March 2022	1,032	473,485	23,428	(182,802)	(315,231)	(88)	(20,448)	(20,536)	
Loss for the financial period	-	-	-	-	(53,306)	(53,306)	912	(52,394)	
Other comprehensive income	-	-	-	45,509	1,882	47,391	716	48,107	
Total comprehensive income	-	-	-	45,509	(51,424)	(5,915)	1,628	(4,287)	
Transactions with owners									
Dividends paid	-	-	-	-	(6,500)	(6,500)	-	(6,500)	
At 31 August 2022	1,032	473,485	23,428	(137,293)	(373,155)	(12,503)	(18,820)	(31,323)	
At 1 September 2022	1,032	473,485	23,428	(137,293)	(373,155)	(12,503)	(18,820)	(31,323)	
Loss for the financial period	-	-	-	-	(18,009)	(18,009)	(4,279)	(22,288)	
Other comprehensive income	-	-	-	50,466	-	50,466	605	51,071	
Total comprehensive income	-	-	-	50,466	(18,009)	32,457	(3,674)	28,783	
Transactions with owners									
Dividends paid	-	-	-	-	-	-	-	-	
At 28 February 2023	1,032	473,485	23,428	(86,827)	(391,164)	19,954	(22,494)	(2,540)	

The notes on pages 17 to 42 form part of these financial statements.

Condensed consolidated statement of cash flows

For the six months ended 28 February 2023

	Unaudited six months ended 28 February 2023	Unaudited six months ended 28 February 2022
	£'000	£'000
Loss for the financial period	(22,288)	(20,460)
<i>Adjustments for:</i>		
Tax on loss on ordinary activities	3,022	-
Net interest expense	55,911	58,204
Amortisation of service concession arrangements	20,095	19,241
Depreciation	722	2,964
Amortisation of computer software	52	428
Operating profit	57,514	60,377
Increase in provisions for dilapidations	15	15
(Increase)/decrease in debtors due within one year	(1,185)	4,953
Increase/(decrease) in creditors due within one year	10,823	(1,714)
Net cash inflow from operating activities	67,167	63,631

Condensed consolidated statement of cash flows (continued)

	Unaudited six months ended 28 February 2023 £'000	Unaudited six months ended 28 February 2022 £'000
Investing activities		
Interest received	8,671	5,321
Payments for concession arrangements	(2,180)	(2,397)
Payments to acquire tangible fixed assets	(327)	(103)
Net cash flow used in investing activities	6,164	2,821
Financing activities		
Interest paid	(26,712)	(28,761)
Senior debt repayments	(26,677)	(23,133)
Dividends paid	-	(8,000)
Finance lease payments	(1,953)	(521)
Net cash flow used in financing activities	(55,342)	(60,415)
Increase in cash and cash equivalents	17,989	6,037
Cash and cash equivalents at 1 September	167,818	179,242
Cash and cash equivalents at 28 February	185,807	185,279

The notes on pages 17 to 42 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board on 23 June 2023 and were signed on its behalf by:



Mark Bamford,
Director

Notes to the condensed consolidated interim financial statements

For the six months ended 28 February 2023



1. General information

UPP REIT Holdings Limited ('the Company') is a closed-ended UK REIT and the parent of the UPP REIT Holdings Group ('the Group'). The Company was incorporated on 18 April 2017. As a result of the Group restructuring in February 2018, the Company became the Parent Company of UPP Group Holdings Limited, trading as University Property Partnerships ('UPP').

The consolidated financial statements of UPP REIT Holdings Limited and its subsidiaries (the Group) for the year ended 31 August 2022 were authorised for issue in accordance with a resolution of the Directors on 20

January 2023. UPP REIT Holdings Limited is a private company limited by shares and incorporated on 18 April 2017 in Jersey, with a company number 123688. The company is listed on The International Stock Exchange and the shares are not traded. The registered office is IFC 5, St. Helier, Jersey, JE1 1ST.

The Group's principal activity is the development, funding, construction and operation (including facilities management) of student accommodation under University Property Partnerships.

2. Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the UK (UK-adopted international accounting standards) and in accordance with the Companies (Jersey) Law 1991.

The financial statements have been prepared on the historical cost basis except for derivative instruments that have been measured at fair value. The accounting policies set out below, unless otherwise stated, have been applied consistently to all periods presented in these group financial statements.

The financial statements are presented in Sterling (£) which is the Group's functional and presentation currency, rounded to the nearest thousand. The preparation of consolidated financial statements in compliance with IFRS requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies (see note 3).

The Group elected not to present Company's financial statements as it is not a requirement under the Companies (Jersey) Law 1991.

These interim financial statements of the Group have been prepared in accordance with IAS 34 'Interim Financial Reporting' and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 August 2022 ('last annual financial statements'). They do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant with regard to any changes in the Group's financial position and performance since the last annual financial statements.

The accounting policies and methods of computation applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 August 2022.

These interim financial statements for the six months ended 28 February 2023 were authorised for issue by the Company's Board of Directors on 23 June 2023.

Going concern

Notwithstanding a consolidated loss of £22,288k and a net liabilities position of £2,540k for the period ended 28 February 2023, 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 Group to continue as a going concern by preparing a cash flow forecast through to 31 August 2024, modelling a severe but plausible downside scenario that demonstrates that the Group 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 Group's contractual arrangements is that University counterparties bear the risk on in-year rental income once students have contracted for the rooms. In addition, there are contractual mechanisms in place that allow for rental uplifts as a result of inflation.

For the 2022/23 academic year the Group has secured lettings of 99.8%, well ahead of levels required to remain compliant with funding covenants. The directors anticipate that the Group's university counterparties will meet their payment obligations as they fall due, even in the severe but plausible downside scenario and, as a result, the risk around revenues leading to non-compliance with financial covenants for the 2022/23 year remains low. The directors consider the Group'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 market for student accommodation remain supportive to the long-term success of the business.

2. Basis of preparation (continued)

The Group's net liabilities position is driven in part by the Group's Service Concession Agreement assets being carried at amortised cost rather than fair value. In addition, index linked borrowing uplifts have occurred as a result of an increase in RPI, resulting in the Group moving into a net liabilities position. The Group's borrowings are contractually long-dated and the Group's modelling described above shows that the Group is expected to have sufficient funding to meet these obligations as they arise, even in a plausible downside scenario. Furthermore, the Group is in a net current asset position with sufficient liquidity to cover its obligations.

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

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:

Estimates in relation to valuation of RPI and IR swaps

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

Fair value estimates of derivatives are based on relevant market information and information about the financial instruments which are subjective in nature. The fair value of these financial instruments is determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves, spot and forward rates, as well as option volatility.

The Group incorporates credit and debit valuation 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 Group has considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts, and guarantees.

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

Estimates in relation to impairment of non-financial assets

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

For goodwill or assets under construction, the impairment loss recognised for all assets is reversed in a subsequent period only if the reasons for the impairment loss have ceased to apply.

3. Judgements and key sources of estimation uncertainty (continued)

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

Judgement of fair value level classification

Although the Group has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivatives utilise Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by itself and its counterparties. However, as of 28 February 2023, the Group has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustments are not significant to the overall valuation of its derivatives. As a result, the Group has determined that its derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy.

Judgement in hedge accounting for inflation swaps

The Group has chosen to apply hedge accounting for all hedging instruments which are in a qualifying hedging relationship under IFRS 9. Significant judgement is exercised in concluding that the forecasted cash flows that are hedged items are highly probable. Also a judgement is exercised in relation to the fact, that future inflationary increases or decreases in rent receivable from university partners are separately identifiable and reliably measurable components of the rental income which ensures the inflation component of rental income and the related RPI swaps are in a hedging relationship which meets the qualifying criteria for hedge accounting under IFRS 9.6.9.1(c).

Judgement in relation of defined benefit pension plan valuation

The cost of defined benefit pension plans and other post-employment medical benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases and is updated annually by qualified third part actuarial consultants. Management undertakes an annual update to the valuation on the basis of materiality.

4. Segment information

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

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

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

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

All segments operate and perform all transactions in the United Kingdom.

Adjustments and eliminations include financing, general Group management and REIT level tax charges that are not considered by management as a separate reporting segment.

4. Segment information (continued)

	Note	SPVs	URSL	UPL	Total segments	Adjustments and eliminations	Consolidated
		£'000	£'000	£'000	£'000	£'000	£'000
Unaudited six months ended 28 February 2023							
Rental and other income – external		104,605	1,959	-	106,564	-	106,564
Rental and other income – internal	A	-	12,690	-	12,690	(12,690)	-
Cost of sales	B	(32,416)	(8,829)	-	(41,245)	9,926	(31,319)
Gross profit		72,189	5,820	-	78,009	(2,764)	75,245
Operating expenses	B	(28,356)	(3,037)	(558)	(31,951)	(6,649)	(38,600)
Operating profit		43,833	2,783	(558)	46,058	(9,413)	36,645
Finance income		11,411	2	-	11,413	2,194	13,607
Senior financing interest		(63,601)	-	-	(63,601)	-	(63,601)
Other interest payable and similar charges	C	(5,917)	-	-	(5,917)	-	(5,917)
Finance cost total		(69,518)	-	-	(69,518)	-	(69,518)
Segment (loss)/profit on ordinary activities before taxation		(14,274)	2,785	(558)	(12,047)	(7,219)	(19,266)
Tax on loss on ordinary activities		-	-	-	-	(3,022)	(3,022)
Segment (loss)/profit for the financial year		(14,274)	2,785	(558)	(12,047)	(10,241)	(22,288)
Total assets	D	1,924,336	58,335	13,459	1,996,130	33,355	2,029,485
Total liabilities	D	2,472,093	41,166	28,046	2,541,305	(509,280)	2,032,025

4. Segment information (continued)

	Note	SPVs	URSL	UPL	Total segments	Adjustments and eliminations	Consolidated
		£'000	£'000	£'000	£'000	£'000	£'000
Unaudited six months ended 28 February 2022							
Rental and other income – external		100,856	2,428	-	103,284	-	103,284
Rental and other income – internal	A	-	9,326	-	9,326	(9,326)	-
Cost of sales	B	(29,085)	(8,664)	(5)	(37,754)	9,625	(28,129)
Gross profit		71,771	3,090	(5)	74,856	299	75,155
Operating expenses	B	(16,092)	(2,022)	(85)	(18,199)	(19,212)	(37,411)
Operating profit		55,679	1,068	(90)	56,657	(18,913)	37,744
Finance income		4,670	-	-	4,670	(338)	4,332
Senior financing interest		(54,112)	-	-	(54,112)	(72)	(54,184)
Other interest payable and similar charges	C	(8,596)	-	-	(8,596)	244	(8,352)
Finance cost total		(62,708)	-	-	(62,708)	172	(62,536)
Segment (loss)/profit on ordinary activities before taxation		(2,359)	1,068	(90)	(1,381)	(19,079)	(20,460)
Tax on loss on ordinary activities		-	-	-	-	-	-
Segment (loss)/profit for the financial year		(2,359)	1,068	(90)	(1,381)	(19,079)	(20,460)
Total assets	D	2,016,930	52,237	7,591	2,076,758	(17,782)	2,058,976
Total liabilities	D	2,438,818	33,481	19,549	2,491,848	(412,336)	2,079,512

4. Segment information (continued)

Notes to the segment information:

A. Rental and other income

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

B. Cost of sales and operating expenses

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

C. Other interest payable and similar charges

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

D. Total assets and total liabilities

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

5. Turnover

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

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

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

	Unaudited six months ended 28 February 2023	Unaudited six months ended 28 February 2022
	£'000	£'000
Student accommodation rental income	104,605	100,856
Construction services	-	-
Management and development services	-	-
Facilities management services	1,959	2,428
	106,564	103,284

In the following table, revenue from contracts with customers is disaggregated by service lines. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments (see Note 4).

5. Turnover (continued)

	Note	SPVs £'000	URSL £'000	UPL £'000	Total segments £'000	Adjustments and eliminations £'000	Consolidated £'000
Unaudited six months ended 28 February 2023							
Student accommodation rental income		104,605	-	-	104,605	-	104,605
Management and development services – intragroup		-	-	-	-	-	-
Facilities management services		-	1,959	-	1,959	-	1,959
Facilities management services – intragroup		-	12,690	-	12,690	(12,690)	-
Total		104,605	14,649	-	119,254	(12,690)	106,564
Revenue as reported in Segments	4	104,605	14,649	-	119,254	(12,690)	106,564
Unaudited six months ended 28 February 2022							
Student accommodation rental income		100,856	-	-	100,856	-	100,856
Management and development services – intragroup		-	-	-	-	-	-
Facilities management services		-	2,428	-	2,428	-	2,428
Facilities management services – intragroup		-	9,326	-	9,326	(9,326)	-
Total		100,856	11,754	-	112,610	(9,326)	103,284
Revenue as reported in Segments	4	100,856	11,754	-	112,610	(8,588)	103,284

5. Turnover (continued)

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

	Unaudited six months ended 28 February 2023	31 August 2022
	£'000	£'000
Receivables, which are included in 'Trade and other receivables'	4,016	3,385
Contract assets, which are included in 'Service Concession Arrangements'	151,745	147,998
Contract liabilities, which are included in 'Accruals and deferred income'	(21,761)	(2,853)

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

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

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

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

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

6. Operating expenses

	Unaudited six months ended 28 February 2023	Unaudited six months ended 28 February 2022
	£'000	£'000
Depreciation of property, plant and equipment	20,817	22,204
Amortisation of computer software	52	428
Salaries and other employee costs recognised in operating expenses	7,789	7,532
External consultancy	1,217	987
Insurance	1,211	818
Auditor remuneration (audit and non-audit fees)	674	649
Other administrative costs	6,840	4,793
	38,600	37,411

7. Staff costs

	Unaudited six months ended 28 February 2023	Unaudited six months ended 28 February 2022
	£'000	£'000
Wages and salaries	15,123	14,832
Social security costs	1,816	1,251
Pension costs – defined contribution	969	644
	17,908	16,727

The above salary costs are presented on the 'Cost of sales' and 'Operating expenses' lines.

8. Interest and similar income

	Unaudited six months ended 28 February 2023	Unaudited six months ended 28 February 2022
	£'000	£'000
Interest received on cash balances	2,047	200
Interest income on finance receivable	7,334	4,132
Finance gain on fair value movements on swaps	4,226	-
	13,607	4,332

9. Interest and similar expense

	Unaudited six months ended 28 February 2023	Unaudited six months ended 28 February 2022
	£'000	£'000
Financial liabilities at amortised cost		
Interest payable on fixed-rate senior secured notes	21,360	21,186
Interest payable on index-linked facilities	42,241	31,041
Subordinated loan note interest	3,332	1,640
Interest expense on finance receivable	2,585	1,957
Financial liabilities measured at fair value		
Fair value movements on swaps	-	6,712
	69,518	62,536

10. 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.

Additionally, the 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. During the period ended 28 February 2023 the Group forecast that it would breach the REIT test related to excess financing for the full financial year and accordingly a tax charge on ordinary activities of £3,022k (2022: £nil) was recognised, being the proportion of the forecast final tax charge relating to the financial period. The forecast breach has occurred as a result of RPI related uplifts on certain funding facilities and is a result of the current high inflationary environment.

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

11. Intangible assets – service concession arrangements

	Service concession arrangements	Assets in the course of construction	Total
	£'000	£'000	£'000
Cost			
At 1 September 2022	1,790,544	-	1,790,544
Additions	-	1,711	1,711
At 28 February 2023	1,790,544	1,711	1,792,255
Amortisation			
At 1 September 2022	211,159	-	211,159
Charge during the period	20,095	-	20,095
At 28 February 2023	231,254	-	231,254
Net book value			
At 28 February 2023	1,559,290	1,711	1,561,001
At 1 September 2022	1,579,385	-	1,579,385

	Service concession arrangements	Assets in the course of construction	Total
	£'000	£'000	£'000
Cost			
At 1 September 2021	1,790,544	-	1,790,544
At 31 August 2022	1,790,544	-	1,790,544
Amortisation			
At 1 September 2021	170,721	-	170,721
Charge during the year	40,438	-	40,438
At 31 August 2022	211,159	-	211,159
Net book value			
At 31 August 2022	1,579,385	-	1,579,385
At 31 August 2021	1,619,823	-	1,619,823

12. Leases

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

Right-of use assets

	Total £'000
Balance at 1 September 2022	3,478
Additions	-
Depreciation charge	(449)
Balance at 28 February 2023	3,029

Lease liabilities maturity analysis – contractual undiscounted cash flows

	Unaudited 28 February 2023 £'000	31 August 2022 £'000
Less than one year	456	588
One to two years	556	556
Two to five years	1,159	1,715
More than five years	1,669	1,390
Total undiscounted lease liabilities	3,840	4,249

The lease for one office space runs for a period of 10 years, commenced in November 2021 and expires in December 2031. The other office lease runs for a period of 5 years, commenced in December 2018 and expires in December 2023.

Lease liabilities included in the statement of financial position

	Unaudited 28 February 2023 £'000	31 August 2022 £'000
Current	456	588
Non-current	3,085	2,890
	3,541	3,478

12. Leases (continued)

Amounts recognised in profit or loss

	Unaudited period ended 28 February 2023	Unaudited period ended 28 February 2022
	£'000	£'000
Interest on lease liabilities	(512)	(509)
Depreciation charge	(449)	(608)

Amounts recognised in statements of cash flows

	Unaudited period ended 28 February 2023	Unaudited period ended 28 February 2022
	£'000	£'000
Total cash outflow for leases	(449)	(310)

13. Current trade and other receivables

	Unaudited 28 February 2023	31 August 2022
	£'000	£'000
Trade debtors	4,016	3,385
VAT recoverable	370	75
Prepayments and accrued income	4,487	3,339
	8,873	6,799

14. Current trade and other payables

	Unaudited 28 February 2023	31 August 2022
	£'000	£'000
Trade creditors	5,274	7,067
Other taxes and social security	8,080	4,169
Accruals and deferred income	55,159	55,817
	68,513	60,723

15. Financial assets

	Unaudited 28 February 2023	31 August 2022
	£'000	£'000
Financial assets at amortised cost		
Financial receivable – service concession arrangements	151,745	147,998
Trade and other receivables	4,016	3,385
Cash at bank and in hand	185,807	167,818
	341,568	319,201
Total current	189,823	171,203
Total non-current	151,745	147,998

The service concession arrangement asset includes net finance costs of £1,119k (2022: £1,119k).

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

16. Financial liabilities

	Unaudited 28 February 2023	31 August 2022
	£'000	£'000
Financial liabilities at amortised cost		
Senior secured notes	501,860	495,469
Senior debt	474,778	477,007
Senior index linked debt	734,613	724,947
Non-recourse bank debt finance	82,395	81,834
Secured subordinated loan notes	46,062	43,003
Lease liabilities	3,541	4,265
Trade and other payables	5,274	7,523
Derivatives designated as hedging instruments		
Interest rate swaps	21,282	43,417
RPI swaps	66,653	95,589
Derivatives not designated as hedging instruments		
RPI swaps	17,020	21,246
	1,953,478	1,994,300
Total current	50,599	56,975
Total non-current	1,902,879	1,937,325

16. Financial liabilities (continued)

Senior debt

The senior debt facilities above are secured under a number of debenture deeds. Under the terms of the debentures, the finance providers have security by way of a first legal mortgage over all estates or interests in any freehold or leasehold properties and buildings, finance receivable assets and fixtures on those properties. On 5 March 2013 a Group subsidiary, UPP Bond 1 Issuer PLC, issued £307,100k of fully-amortising fixed-rate senior secured notes and £75,000k of fully amortising RPI index-linked senior secured notes, listed on the Irish Stock Exchange. The proceeds of this issuance were on-lent on the same terms and conditions to six fellow Group companies to enable them to repay their previous bank facilities and associated costs.

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

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

On 9 December 2014, UPP Bond 1 Issuer PLC issued £149,700k of fully-amortising index-linked senior secured notes, also listed on the Irish Stock Exchange. Proceeds of this issuance were on-lent on the same terms and conditions to a fellow Group undertaking to enable that company to repay its short-term senior bank facility and associated costs.

The senior secured notes issued are secured against the assets of UPP Bond 1 Issuer PLC and the other wholly-owned subsidiaries of UPP Bond 1 Limited.

Senior index-linked debt

On 14 October 2013, a Group subsidiary entered into an RPI index-linked senior facility. The facility is fully-amortising by August 2056 with a real interest rate of 2.322% increasing semi-annually with RPI. The notional amount of this facility was £40,497k and repayments commenced in February 2016.

On 4 July 2014, a Group subsidiary entered into an RPI index-linked senior facility. The facility is fully amortising by August 2057 with a real interest rate of 1.792% increasing semi-annually with RPI. The notional amount of this facility was £113,816k and repayments commenced in February 2017.

On 7 April 2016, a Group subsidiary issued £67,322k 1.030% RPI index-linked loan notes. The proceeds of this issuance were used to repay the existing senior bank debt funding. The loan notes are fully-amortising by August 2049 with a real interest rate of 1.0302% increasing semi-annually with RPI. The notional amount of this facility is £67,322k and repayments commenced on 28 August 2016.

On 21 December 2016, a Group subsidiary entered into an RPI index-linked senior facility. The facility is fully-amortising by August 2062 with a real interest rate of 0.16% increasing semi-annually with RPI. The notional amount of this facility was £86,809k and repayments commenced in February 2020.

On 25 May 2017, a Group subsidiary entered into an RPI index-linked senior facility. The facility is fully amortising by August 2058 with a real interest rate of 0.45% increasing semi-annually with RPI. The notional amount of this facility was £127,636k and repayments commenced in February 2020.

On 5 February 2018, a Group subsidiary issued £63,000k of fully-amortising index-linked loan notes in two tranches. The facility is fully-amortising by August 2062 with a real interest rate of 0.207% – Tranche A and 1.203% – Tranche B, increasing semi-annually with RPI. The notional amount of this facility was £63,000k and repayments commenced in February 2018.

On 28 June 2018, a Group subsidiary issued £15,761k of fully-amortising index linked loan notes. The facility is fully-amortising by August 2065 with a real interest rate of 0.044% increasing semi-annually with RPI. The notional amount of this facility was £37,185k and repayments commenced in February 2021.

16. Financial liabilities (continued)

On 10 January 2019 a Group subsidiary issued £50,841k of fully amortising RPI index linked loan notes. The index linked senior loan notes are fully amortising by 2066 with a real interest rate of 0.2% increasing semi-annually by RPI. The notional amount of these notes at issuance was £50,841k and the principal amount repayable increases semi-annually by RPI. Repayments commenced in February 2022.

On 28 February 2019 a Group subsidiary issued £10,546k of fully amortising RPI index linked loan notes. The index linked senior loan notes are fully amortising by 2065 with a real interest rate of 0.080% increasing semi-annually by RPI. The notional amount of these notes at issuance was £10,546k and the principal amount repayable increases semi-annually by RPI. Repayments commenced in February 2021.

On 28 August 2019 a Group subsidiary issued £9,992k of fully amortising RPI index linked loan notes. The index linked senior loan notes are fully amortising by 2065 with a real interest rate of 0.100% increasing semi-annually by RPI. The notional amount of these notes at issuance was £9,992k and the principal amount repayable increases semi-annually by RPI. Repayments commenced in February 2021.

On 28 August 2019 a Group subsidiary issued £39,939k of fully amortising RPI index linked loan notes. The index linked senior loan notes are fully amortising by 2066 with a real interest rate of 0.2% increasing semi-annually by RPI. The notional amount of these notes at issuance was £39,939k and the principal amount repayable increases semi-annually by RPI. Repayments commenced in February 2022.

On 1 September 2019 a Group subsidiary issued £38,405k of fully amortising RPI index linked loan notes. The index linked senior loan note is fully amortised by 2066 with a real interest rate of 0.2% increasing semi-annually by RPI. The notional amount of these notes at issuance was £38,405k and the principal amount repayable increases semi-annually by RPI. Repayments commenced in February 2022.

On 28 April 2020 a Group subsidiary issued £24,521k of fully amortising RPI index linked loan notes. The index

linked senior loan note is fully amortised by 2066 with a real interest rate of 0.2% increasing semi-annually by RPI. The notional amount of this note at issuance was £24,521k and the principal amount repayable increases semi-annually by RPI. Repayments commenced in February 2022.

On 29 December 2020 a Group subsidiary issued £9,777k of fully amortising RPI index linked loan notes. The index linked senior loan note is fully amortised by 2066 with a real interest rate of 0.2% increasing semi-annually by RPI. The notional amount of this note at issuance was £9,777k and the principal amount repayable increases semi-annually by RPI. Repayments commenced in February 2022.

These facilities above are secured under a number of debenture deeds. Under the terms of the debentures, the finance providers have security by way of a first legal mortgage over all estates or interests in any freehold or leasehold properties and buildings, finance receivable assets and fixtures on those properties.

Non-recourse finance facilities

The finance providers only have recourse over the assets of the company or companies on which they are providing finance, with no recourse to other Group companies.

The key terms of the facilities are:

- Fixed through an IR swap 4.695%, plus margin until Sept 2017, 5.910% thereafter with a final repayment date of September 2044
- Income-strip debt with an effective interest rate of 6.95%. Repayable in March 2061

Secured subordinated loan notes

The subordinated loan note funding has been provided by Nottingham Trent University, the University of Reading, the University of Hull and the University of London.

The loan notes are subject to the same security as the senior debt facilities but are subordinated to the right of payment of senior debt providers. The weighted average rate is 11.12% per annum for a weighted average period of 39 years. The final repayment dates on the subordinated loan notes range between August 2048 and August 2069.

17. Hedging activities and derivatives

Derivatives not designated as hedging instruments

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

Cash flow hedges

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

Due to the nature, timing and hedging relationship the Group qualified all the IR swaps hedges to the same risk category. Due to the nature, timing and hedging relationship the Group qualified all the RPI swap hedges to the same risk category.

To assess hedge effectiveness, the Group determines the economic relationship between the hedging instrument and the hedged item by performing qualitative assessment of hedge effectiveness due to a match of critical terms and quantitative assessment of hedge effectiveness on the basis of the mark to market value and mark to market hypothetical value.

In these hedge relationships, the main sources of ineffectiveness are changes in the cash flow timing of the hedged transactions.

	Unaudited 28 February 2023		31 August 2022	
	Assets	Liabilities	Assets	Liabilities
		£'000		£'000
IR swaps designated as hedging instrument	-	(21,282)	-	(43,417)
RPI swaps designated as hedging instrument	-	(66,653)	-	(95,589)
RPI swaps not designated as hedging instruments	-	(17,020)	-	(21,246)
	-	(104,955)	-	(160,252)

17. Hedging activities and derivatives (continued)

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

	Unaudited 28 February 2023	31 August 2022
	£'000	£'000
Fair value of derivatives used for hedging		
Creditors: amounts falling due after one year	(87,935)	(139,006)
Debtors: amounts falling due after one year	-	-
Movement in fair value of derivatives used for hedging		
Recognised profit/(loss) through other comprehensive income:		
Owners of the Parent	50,466	36,993
Non-controlling interest	605	674
Fair value of derivatives not used for hedging		
Creditors: amounts falling due after more than one year	(17,020)	(21,246)
Debtors: amounts falling due after one year	-	-
Movement in fair value of derivatives not used for hedging		
Recognised profit through the income statement	4,226	(13,722)

The amounts at the reporting date relating to items designated as hedged items were as follows:

	Unaudited 28 February 2023	31 August 2022
	£'000	£'000
Interest rate risk		
Cash flow hedge reserve	(21,282)	(43,417)
RPI risk		
Cash flow hedge reserve	(66,653)	(95,589)

18. Fair value measurement

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

	28 February 2023		31 August 2022	
	Book value	Significant observable inputs Level 2	Book value	Significant observable inputs Level 2
	£'000		£'000	
Financial assets				
Derivatives designated as hedging instruments				
RPI swaps	-	-	-	-
Derivatives not designated as hedging instruments				
RPI swaps	-	-	-	-
Financial assets at amortised cost				
Financial receivable – service concession arrangements	151,745	135,325	147,998	135,097
Financial assets – other	-	-	-	-
Trade and other receivables	4,016	*	3,385	*
Cash at bank and in hand	185,807	*	167,818	*
	341,568		319,201	
Financial liabilities				
Borrowings				
Senior secured notes	501,860	454,213	495,469	462,091
Senior debt	474,778	475,900	477,007	476,082
Senior index-linked debt	734,613	626,150	724,947	633,881
Non-recourse bank debt finance	82,395	81,012	81,834	80,751
Secured subordinated loan notes	46,062	22,796	43,003	22,692
Lease liabilities	3,541	3,541	4,265	4,265
Derivatives designated as hedging instruments				
Interest rate swaps	21,282	21,282	43,417	43,417
RPI swaps	66,653	66,653	95,589	95,589
Derivatives not designated as hedging instruments				
RPI swaps	17,020	17,020	21,246	21,246
Financial liabilities at amortised cost				
Trade and other payables	5,274	*	7,523	*
	1,953,478		1,994,300	

*The fair values for financial instruments such as short-term trade receivables and payables are a reasonable approximation of fair value

18.1 Valuation techniques and significant unobservable inputs

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

19. Provisions for liabilities

	Dilapidations £'000	Cladding £'000	Total £'000
At 1 September 2022	60	15,040	15,100
(Credited) / charged to profit & loss account	15	-	15
At 28 February 2023	75	15,040	15,115

	Dilapidations £'000	Cladding £'000	Total £'000
At 1 September 2021	30	3,999	4,029
(Credited) / charged to profit & loss account	30	11,041	11,071
At 31 August 2022	60	15,040	15,100

During the prior year, following detailed inspections, the Group identified various remediation works that needed to be addressed at buildings of the University of Kent and Nottingham Trent University. Accordingly, at the year end, provisions of £7,500k and £2,300k respectively were recognised. Additionally, the Group identified certain maintenance related remediation works required at a number of sites managed by a group entity resulting in a provision of £5,000k being recognised. Provisions have 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.

Contingent liability

During the prior year it was identified that further remedial works may be required at buildings at the University of Kent by the Group. Investigations are at an early stage, with the scope and responsibility for these works still to be established. As the value of these works cannot currently be reliably estimated and it is possible, but not probable that economic outflow may occur, it is appropriate to disclose these works as a contingent liability.

20. Reserves

Capital reserve

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

Cash flow hedge reserve

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

Profit and loss account

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

21. Related party transactions

As at 28 February 2023, the Directors consider that, during the year, Nottingham Trent University, the University of Reading, the University of London and the University of Hull are the only related parties of the Group by virtue of their shareholdings in the Company: UPP (Clifton) Holdings Limited, UPP (Byron House) Holdings Limited, UPP (Reading 1) Holdings Limited, UPP (Cartwright Gardens) Holdings Limited, UPP (Duncan House) Holdings Limited and UPP (Hull) Holdings Limited respectively.

During the six months ended 28 February 2023, the Group received an income of £4,709k (six months ended 28 February 2022: £5,719k) from Nottingham Trent University in respect of services provided by UPP (Clifton) Holdings Limited and UPP (Byron House) Holdings Limited.

During the six months ended 28 February 2023, the Group received an income of £16,696k (six months ended 28 February 2022: £15,607k) from University of Reading in respect of services provided by UPP (Reading 1) Holdings Limited and incurred costs of £1,617k (six months ended 28 February 2022: £1,467k) in respect of services provided by the University of Reading.

During the six months ended 28 February 2023, the Group incurred costs of £nil (six months ended 28 February 2022: £152k) in respect of services provided by the University of London and received income of £8,961k (six months ended 28 February 2022: £8,415k) in respect of services provided by UPP (Cartwright Gardens) Holdings Limited and UPP (Duncan House) Holdings Limited.

During the six months ended 28 February 2023, the Group incurred costs of £40k (six months ended 28 February 2022: £5k) in respect of services provided by the University of Hull and received income of £5,601k (six months ended 28 February 2022: £5,232k) in respect of services provided by UPP (Hull) Holdings Limited.

22. Investments

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

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

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

Entity	Proportion	Shares held class	Nature of Business
UPP (Alcuin) Limited	100%	Ordinary	Student Accommodation
UPP (Broadgate Park) Holdings Limited	100%	Ordinary	Student Accommodation
UPP (Byron House) Holdings Limited	80%	Ordinary	Student Accommodation
UPP (Cartwright Gardens) Holdings Limited	85%	Ordinary	Student Accommodation
UPP (Clifton) Holdings Limited	80%	Ordinary	Student Accommodation
UPP (Duncan) House Holdings Limited	85%	Ordinary	Student Accommodation
UPP (East Park) Holdings 1 Limited	100%	Ordinary	Student Accommodation
UPP (East Park) Holdings 2 Limited	100%	Ordinary	Student Accommodation
UPP (Exeter 2) Holdings 1 Limited	100%	Ordinary	Student Accommodation
UPP (Exeter 2) Holdings 2 Limited	100%	Ordinary	Student Accommodation
UPP (Exeter) Limited	100%	Ordinary	Student Accommodation
UPP (Hull) Holdings Limited	90%	Ordinary	Student Accommodation
UPP (Kent Student Accommodation II) Holdings Limited	100%	Ordinary	Student Accommodation
UPP (Kent Student Accommodation) Limited	100%	Ordinary	Student Accommodation
UPP (Kent Turing) Holdings Limited	100%	Ordinary	Student Accommodation

Entity	Proportion	Shares held class	Nature of Business
UPP (Lancaster) Holdings Limited	100%	Ordinary	Student Accommodation
UPP Leeds Student Residences Limited	100%	Ordinary	Student Accommodation
UPP Loring Hall Limited	100%	Ordinary	Student Accommodation
UPP (Loughborough Student Accommodation) Holdings Limited	100%	Ordinary	Student accommodation
UPP (Nottingham) Limited	100%	Ordinary	Student accommodation
UPP (Oxford Brookes) Limited	100%	Ordinary	Student accommodation
UPP Plymouth Three Limited	100%	Ordinary	Student accommodation
UPP (Reading 1) Holdings Limited	80%	Ordinary	Student accommodation
UPP (Swansea 2) Holdings 1 Limited	100%	Ordinary	Student accommodation
UPP (Swansea 2) Holdings 2 Limited	100%	Ordinary	Student accommodation
UPP (Swansea) Holdings Limited	100%	Ordinary	Student accommodation
UPP Bond 1 Issuer plc	100%	Ordinary	Provision of senior secured bond funding
UPP Group Holdings Limited	100%	Ordinary	Holding company
UPP Group Limited	100%	Ordinary	Holding company
UPP (MidCo) Limited	100%	Ordinary	Holding company
UPP Projects Limited	100%	Ordinary	Partnerships development for the provision of student accommodation
UPP Residential Services Limited	100%	Ordinary	Provision of facility management services
Residence Cloud Limited	100%	Ordinary	Dormant company
UPP (Aberdeen) Limited	100%	Ordinary	Dormant company
UPP Asset Finance Limited	100%	Ordinary	Dormant company
UPP Dormant 1 Limited	100%	Ordinary	Dormant company

Entity	Proportion	Shares held class	Nature of Business
UPP (Gill Street) Limited	100%	Ordinary	Dormant company
UPP Investments Limited	100%	Ordinary	Dormant company
UPP James Square Plymouth Limited	100%	Ordinary	Dormant company
UPP Limited	100%	Ordinary	Dormant company
UPP Management Limited	100%	Ordinary	Dormant company
UPP (Miller Street) A Limited	100%	Ordinary	Dormant company
UPP (Plymouth) Limited	100%	Ordinary	Dormant company
UPP (Plymouth Two) Limited	100%	Ordinary	Dormant company
UPP (Reading St George's) Limited	100%	Ordinary	Dormant company
UPP (RNCM) Limited	100%	Ordinary	Dormant company
UPP Secretarial Services Limited	100%	Ordinary	Dormant company
UPP Warehouse Limited	100%	Ordinary	Dormant company
UPP (York) Limited	100%	Ordinary	Dormant company

23. Cash and cash equivalents

	Unaudited 28 February 2023 £'000	31 August 2022 £'000
Cash at bank and in hand	182,620	164,689
Short-term deposits	3,187	3,129
Cash and cash equivalents	185,807	167,818

The cash and cash equivalents disclosed above and in the statement of cash flows include £170,582k as at 28 February 2023 (£164,192k as at 31 August 2022) of restricted cash. This cash is subject to be used only by SPVs in line with the service concession agreements and is therefore not available for general use by the other entities within the Group.

24. Parent undertaking and controlling party

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

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



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