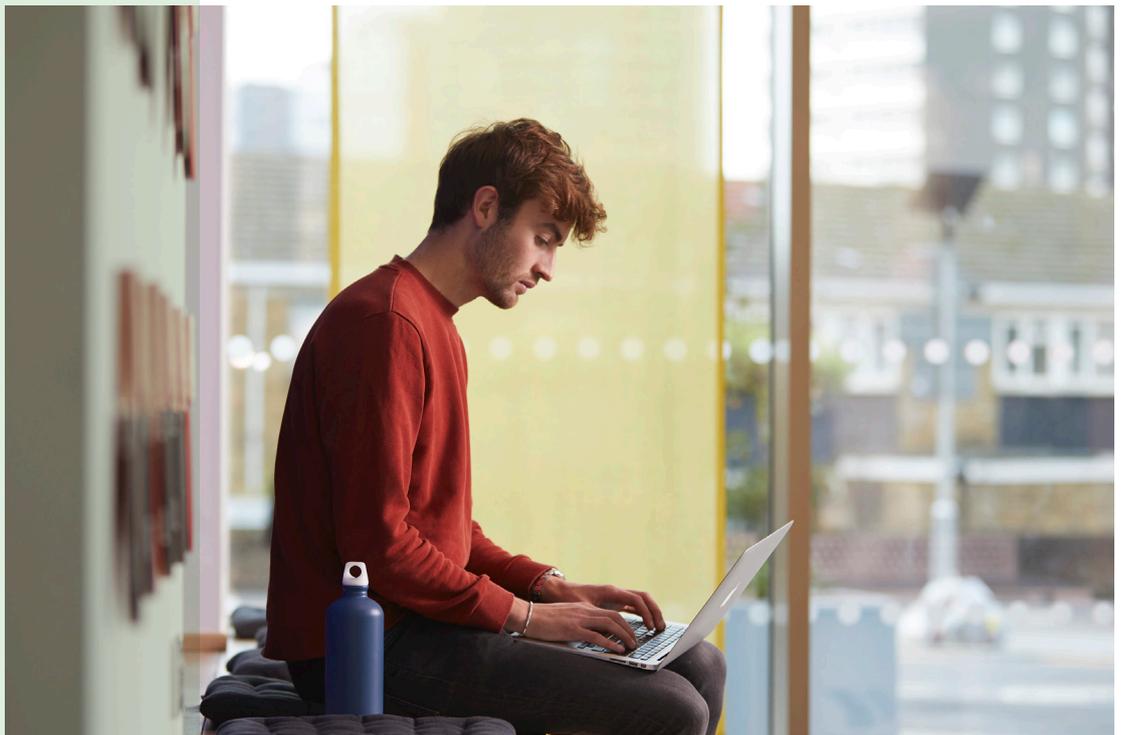




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UPP Bond 1 Limited Half Year Summary

For the six months ended 29 February 2020



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').

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Disclaimer

Forward-looking statements

Unless otherwise stated, the figures in the Summary reflect the position as at 29 February 2020. 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, 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 whomsoever.

HALF YEAR SUMMARY

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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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General overview



Photo credit: Robert Greshoff

GENERAL OVERVIEW

UPP Bond 1 Holdings Limited

UPP Bond 1 Holdings Limited results for the six months ended 29 February 2020

Financial highlights for the six months ended 29 February 2020

£'000	February 2020	February 2019	Change %
Turnover	33,571	32,772	2.4
Gross profit	23,316	23,307	0.0
EBITDA*	21,937	22,009	(0.3)
EBITDA margin*	65.3%	67.2%	

*Earnings before interest, tax, depreciation and amortisation (EBITDA) before sinking fund expenditure

Business highlights

- Occupancy for 2019/20 of 99.6% (2018/19: 99.4%)
- Turnover up by 2.4% to £33.6 million (2018/19: £32.8 million), reflecting RPI-linked annual term rental income increases
- Gross profit of £23.3 million (2018/19: £23.3 million)
- EBITDA margin of 65.3% (2018/19: 67.2%)
- Both Historic and Projected Senior Annual Debt Service Coverage Ratios comfortably above lock-up triggers
- 100.0% of room nominations at UPP (Exeter) Limited and UPP (Oxford Brookes) Limited for the 2020/21 academic year, equating to 29.0% of total rental receipts secured



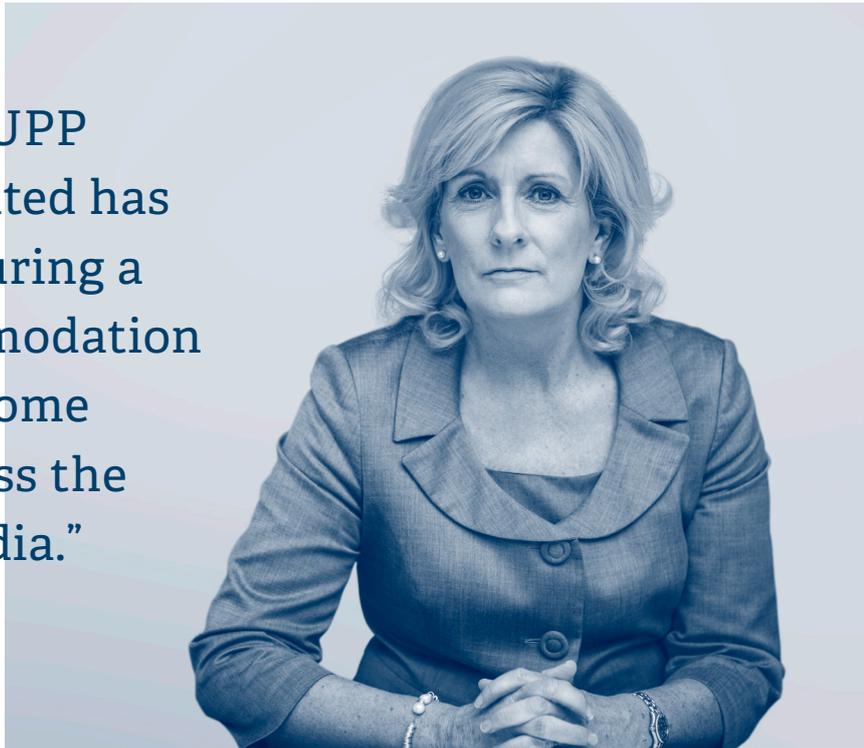
Elaine Hewitt Chief Executive Officer

“Once again, UPP Bond 1 Holdings Limited has demonstrated robust performance during the half year ended 29 February 2020. The consolidated accounts for the period saw an increase of 2.4 per cent in turnover from £32.8 million to £33.6 million. EBITDA at £21.9 million remained in line with projections.

With sector-leading occupancy of 99.6 per cent, the performance of UPP Bond 1 Holdings Limited has remained resilient during a period where accommodation affordability has become a growing focus across the sector and in the media.

Ahead of the COVID-19 outbreak in the UK, demand for academic places remained strong. Data from the Universities and Colleges Admissions Service (UCAS), based on the 15 January 2020 deadline, identified that a total of 568,330 people had applied to study - an increase of 1.2 per cent on the equivalent point in the 2019 cycle. In particular, international student applicant numbers had increased by 14.7 per cent year on year.

“The performance of UPP Bond 1 Holdings Limited has remained resilient during a period where accommodation affordability has become a growing focus across the sector and in the media.”



At the time of writing, there remain numerous contingent risks to occupancy - disclosures on which are outlined in this summary. Notwithstanding these, the Directors are of the opinion that a combination of mitigating activity undertaken by Government and the sector; the capacity of universities to refocus their recruitment; and the credit positive elements of the Company’s business model have the capacity to significantly ameliorate risks to short-term occupancy.

In terms of the longer-term market outlook, the Directors consider that there remains strong demographic and supply evidence to suggest that demand both for UK higher education and residential accommodation will continue.”

— Enquiries			
UPP	Henry Gervaise-Jones	Chief Financial Officer	Tel: 020 7398 7200
	Jon Wakeford	Group Corporate Affairs Director	Tel: 020 7398 7200

1.1 Summary of the UPP Group business

UPP Group (defined as UPP Group Holdings Limited and its subsidiaries) is the leading provider of on-campus student accommodation infrastructure and support services within the UK. We have over 36,000 rooms in operation or under construction through long-term partnerships with 15 world-leading universities, of which 11,693 are rooms operated by the AssetCos.

The key features of UPP Group's cash-generative business model, based on bespoke partnerships with the universities and including the seven AssetCos, are:

- An integrated service model for universities encompassing the funding, design, 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 linked to the Retail Price Index ('RPI')
- Outside of London, a restrictive covenant regime that limits long-term competing university supply in order to maintain healthy demand dynamics
- Partnerships with leading institutions targeted on the basis of its own 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
- Average occupancy over the last five years has been in excess of 99.4% across the AssetCos
- Credit and void risk is passed to the university partner
- UPP accommodation is marketed at the agreed rent concurrent to, and at least on an even-handed basis with, a university's own stock
- An ability to pass certain cost increases related to utilities, insurances, changes in law and

variations through to student rents to the extent that they are not covered by the annual RPI-linked uplift

- Facilities management costs are 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 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% amortising fixed-rate bond due 2040
- £75.0 million 2.7921% amortising index-linked bond due 2047

On 9 December 2014, the Group acquired UPP (Exeter) Limited from UPP Group Limited. On the same day, UPP Bond 1 Issuer Plc issued a new tranche of £149.7 million 1.037% 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 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.

All notes issued under the Programme benefit from security granted by the AssetCos specified below, in respect of student accommodation concessions granted by seven English universities, namely:

- University of York – UPP (Alcuin) Limited
- University of Nottingham – UPP (Broadgate Park) Holdings Limited
- University of Kent – UPP (Kent Student Accommodation) Limited
- Nottingham Trent University – UPP (Nottingham) Limited
- Oxford Brookes University – UPP (Oxford Brookes) Limited
- University of Plymouth – UPP (Plymouth Three) Limited
- University of Exeter – UPP (Exeter) Limited

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Trading update



Photo credit: Robert Greshoff

2.1 Business Developments

The principal activities of the Group during the six months ended 29 February 2020 continue to be the development, funding, construction and operation - including facilities management (FM) - of student accommodation under the University Partnerships Programme ('UPP').

On 2 December 2019, the Company announced that it had successfully reached financial close on a £43.4 million scheme with St Modwen Developments, Swansea University and Swan Global LLP for the acquisition of the freehold of 411 rooms at the University's Bay Campus.

The acquisition included £38.7 million of index-linked debt financing from Aberdeen Standard Investments (ASI), with a debt tenor of circa 45 years. UPP Group Holdings Limited and its Shareholders invested £4.7 million of subordinated debt and equity.

It marked the second successful deal between UPP, St Modwen Developments and Swansea University, and follows the £98.1 million transaction in February 2018 where UPP acquired two companies from St Modwen Properties PLC to operate 2,021 study bedrooms on the University's Bay Campus, as well as acquiring a freehold property interest in further accommodation. The total number of rooms operated by UPP on the Bay Campus now stands at 2,432.

During the same month, on 11 December 2019, the Company announced that it had been appointed to deliver a three-year, full FM service by Imperial College London in what became UPP's first private-let contract with a university. The private tender appointment has seen URSL operating 192 one, two and three-bedroom apartments on the University's White City Campus in Hammersmith and Fulham.

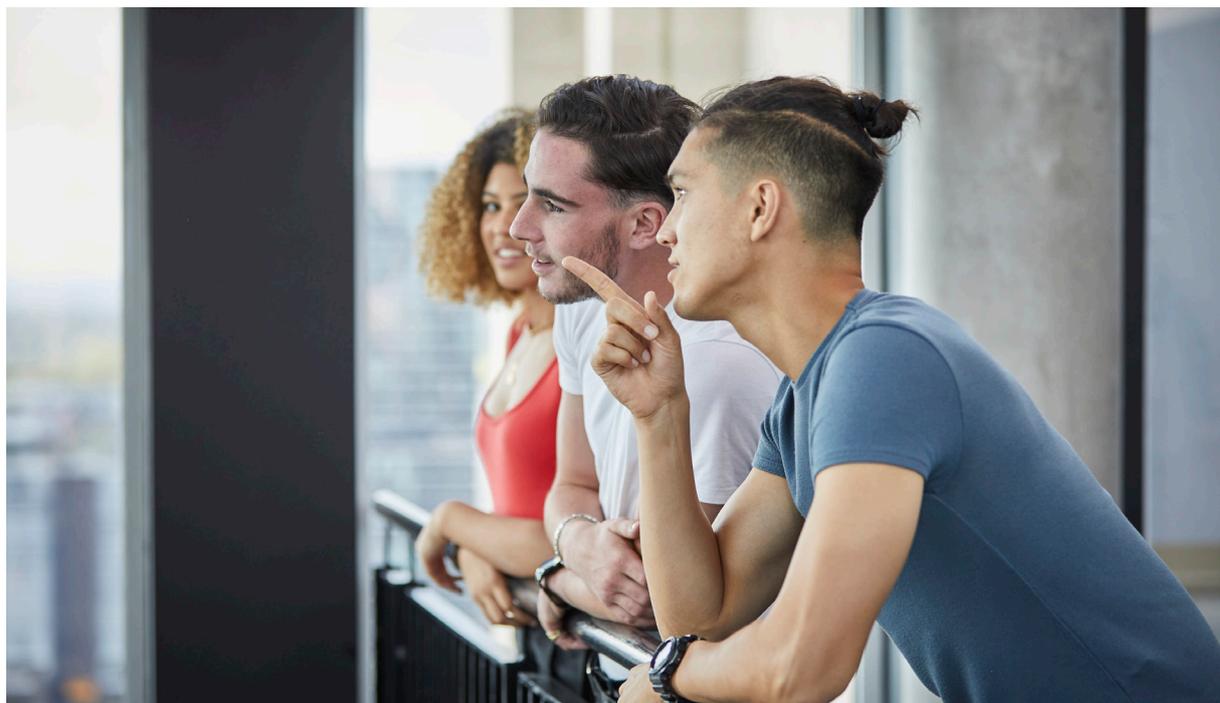
UPP and Imperial College London have worked in partnership for eight years, operating a portfolio of 1,172 rooms through GradPad, an operating brand of the University. As part of this transaction, UPP is delivering maintenance, front of house, cleaning and security services at the new private rental apartments, with the FM services having commenced on 29 November 2019 and occupation of the new-build block having taken place from the start of December 2019.

In terms of construction activity, during September 2019, two new developments at the University of Hull and the University of London respectively welcomed their first student residents for the academic year 2019/20, with practical completion having been reached during the year ended 31 August 2019.

The University of Hull and UPP opened their doors to new and returning students at the Westfield Court residences. UPP is responsible for operating the nine-block development, totalling 1,462 rooms, with an investment value of over £155 million.

Established in 2016, the partnership involved UPP designing, building and financing the scheme, operating it for 51 years thereafter. Successful completion of Westfield Court, which has a total construction value of over £97 million, means UPP now operates a total of 1,750 rooms across the University's campus, including 288 rooms at the existing Taylor Court residences.

In partnership with the University of London, the Group also delivered a further 511 rooms at the Eleanor Rosa House development in Stratford, East London. Constructed by Watkin Jones and forward-funded by UPP, it provides a mixed-use, 33-storey landmark building delivering over 18,000 square metres of new student accommodation. UPP operates all study bedrooms and associated communal space.



Eleanor Rosa House is the result of UPP's second transaction with the University of London, reinforcing the bespoke, long-term partnership which is enhancing and increasing the accommodation available to students at the University and its affiliated institutions. It was officially opened by Her Royal Highness, The Princess Royal, Chancellor of the University of London, on 28 January 2020.

During the six months ended 29 February 2020, the Company continued to progress construction activities relating to three schemes with the University of Exeter.

Having successfully reached financial close on the £139.7 million East Park project in January 2019, UPP appointed Vinci Construction UK Limited to deliver the development on the University's Streatham Campus which is now well underway. The scheme is set to become operational over two phases - in September 2020 and September 2021.

East Park marked the third on-campus scheme currently under construction between UPP and the University of Exeter, with the £41.4 million redevelopment of its Moberly and Spreytonway

residences - consisting of 250 and 131 beds respectively and due for occupation by September 2020. When the three schemes are complete, UPP will be operating 4,156 rooms on the University's campus.

At the beginning of the six months ended 29 February 2020, following a fire at student accommodation in Greater Manchester, the fire safety of student accommodation once again became a focus of Government and media attention. In light of this, and the Grenfell Tower tragedy in June 2017, UPP established a Fire Safety Working Group focused on three key workstreams - fire safety compliance, construction and cladding, and communicating with stakeholders.

All buildings across the portfolio have been fully reviewed, with the findings presented to university partners. We can confirm that all of our buildings comply with UPP's Fire Policy and Procedures and that independent Fire Risk Assessments have been undertaken within the last twelve months. We continue to work with partners to ensure that all residents remain cognisant of these and will take any appropriate action should it be required.

On 17 January 2020, UPP announced the appointment of Elaine Hewitt as its new Chief Executive Officer. Elaine joined the Business on 1 April 2020, succeeding Richard Bienfait who announced in September 2019 that he would be leaving at the end of January 2020.

A Fellow of the Royal Institute of Chartered Surveyors (RICS), Elaine joins UPP from NHS Property Services Ltd where she has been Chief Executive Officer since 2015. Prior to this, Elaine held the position of Group Property Director at BT Group PLC. As well as having considerable private sector experience, Elaine has also held public sector roles, notably Crown Representative in the Cabinet Office for Property and Facilities Management across Government.

Finally, the post-balance sheet COVID-19 outbreak in the UK and the rest of the world has entailed significant disruption for higher education (HE) and many other sectors. The overarching priority for the Company is to work closely and effectively, together with our partners, to ensure our accommodation remains available to students and operating safely and effectively.

Our plans and activities in support of students, staff and our partners have been aligned to advice from Public Health England.

More details of our approach and related activities may be found on our Investor Centre.

With respect to revenue, the Company receives rent from each institution, rather than directly from students. We are expecting that our university partners will discharge their primary obligation to pass term three rents under the relevant Project Documents and on this basis are not expecting an impact on revenues.

The Company is working to support partners where we can and, in particular, is engaging in discussions regarding planning for the academic term 2020/21.

To date, the Department for Education has outlined an intent to remain with the existing applications and admissions timetable in place with the Universities and Colleges Admissions Service (UCAS). Universities have been requested to demonstrate flexibility with respect to admissions given the current situation, and this includes international students (non-EU) who are being encouraged to continue applying to UK universities.

Whilst there remains some uncertainty regarding how the situation will develop, at the time of writing, the Company can confirm that lettings for the academic year 2020/21 are in line with expectations, based on previous sales cycles.



On 22 April 2020, Standard and Poor's Global Ratings (S&P) published its Rating Action Overview "UPP Bond 1 Issuer PLC Senior Debt Downgraded To 'BBB+; Outlook Negative".

The Overview outlined the intention of S&P to revise downwards the current credit rating on the senior secured debt issued by the Company to BBB+ from A-, as well as revise the rating outlook from stable to negative.

The Company notes that downgrades have taken place across many ratings in response to the COVID-19 crisis. It also recognises there is increased uncertainty with respect to the beginning of the academic year 2020/21

reflecting uncertainty over the timing of the relaxation of social distancing and international travel restrictions. However, the Company believes that the decision to revise S&P's base case, and downgrade the credit rating as a result, reflects an unduly conservative view of short-term risk and sees no basis for negative revisions to long-term assumptions. The Company published the rationale for this opinion in its [Statement in relation to senior debt downgrade](#) on 24 April 2020.



2.2 General Overview

The UK HE sector remains the most popular global destination for students outside of the United States. In terms of the outlook for demand for the academic year 2020/21, main scheme data from the UCAS based on the 15 January 2020 deadline – which accounts for well over 95 per cent of main scheme UK 18-year-old applicants (and circa 90 per cent of all main scheme applicants) – identifies that a total of 568,330 people had applied to study. This represents an increase of 1.2 per cent on the equivalent point in the 2019 cycle.

UK undergraduate numbers showed no statistical movement at 452,220 applicants, however, the application rate for 18-year-old applicants increased by 1.3 per cent to 39.5 per cent. For applicants from England, a further 1 per cent increase in the equivalent figure, ensured an application rate in excess of 40 per cent. This increase occurred despite 2020 being projected to be the final year of a UK-wide decline in the overall number of 18-year-olds in the overall population. This underlines the strength of demand for HE amongst the core demand cohort for AssetCo accommodation, namely new, UK undergraduate students – those typically holding a guaranteed offer of accommodation from their chosen university.

Figure 2.21 - Applicants for all courses by domicile group (15 January 2020 deadline)

App. Domicile	2012	2013	2014	2015	2016	2017	2018	2019	2020
England	383,840	394,330	408,300	411,420	408,990	385,870	374,440	373,740	373,860
Northern Ireland	18,290	19,590	19,550	20,040	20,400	19,479	18,530	17,910	17,400
Scotland	39,170	39,950	41,080	45,100	45,420	44,530	44,900	43,340	42,530
Wales	20,880	20,440	21,010	21,000	21,130	19,620	19,100	18,850	18,430
UK	461,180	474,310	489,940	497,550	495,940	469,490	457,070	453,840	452,220
EU (excl. UK)	36,210	37,990	39,780	42,720	45,220	42,070	43,510	43,890	43,030
Non-EU	42,640	46,510	50,290	52,020	52,560	52,630	58,450	63,690	73,080
Total	540,020	558,820	580,000	592,290	593,720	564,190	559,030	408,990	568,330

(Source: UCAS)



The data also identifies that there were a record 73,080 applicants from outside the EU. This represents an increase in international applicants of 14.7 per cent. In the 2020 cycle, this was driven by a 33.8 per cent increase in applicants from China and a 32.9 per cent increase from India. The impact of BREXIT at that point was notably limited, with a 2 per cent decrease in total applicants from the EU – 860 fewer overall.

The global outbreak of COVID-19 has, however, impacted on all sectors of the economy and this includes the short-term future of UK HE. In terms of the short-term risk to occupancy, a combination of mitigating activity undertaken by Government and the sector; the capacity of universities to refocus their recruitment; and the credit positive elements of the Company's business model have the capacity to significantly ameliorate risks to occupancy.

The Minister of State for Universities confirmed on 20 March 2020 that “there is no reason for the usual admissions cycle to be disrupted”. This remains the case at the point of publishing this report. The Department for Education has outlined an intent to remain with the existing applications and admissions timetable in place with UCAS. Universities have been requested to demonstrate flexibility with respect to admissions given the current situation, and this includes international students (non-EU), who are being encouraged to continue applying to UK universities. GCE A-Level results in the UK are due for publication on 13 August 2020.

Universities UK is working with the Government to establish a one-year stability measure for the recruitment of UK and EU-domiciled undergraduate students, additional flexibilities in the visa system to support international students planning to start courses in the autumn and a delay to the introduction of the new EU immigration system to stabilise demand from students domiciled in the EU.

In the short term, should a fall in demand occur, UPP Bond 1 benefits from cross-collateralisation incorporated in the structure of the Project and a degree of revenue diversification. UPP Bond 1 permits the Issuer to support any underperforming operating company through cash-pooling at the parent holding level.

The Company business model is one located on-campus, providing accommodation to new UK and EU-domiciled undergraduate students who typically have a guaranteed offer of accommodation from their chosen university. International students represent circa 10 to 15 per cent of undergraduate students in residence (variable by institution), but can be readily substituted for an increase in UK/EU student recruitment and/or returning students, should demand decline.

In terms of the longer-term market outlook, there is strong evidence to suggest that demand both for UK HE and residential accommodation will continue. Sources include the following:

- Demand modelling by the Higher Education Policy Institute to 2030 has identified that the demographic decline in 18-year-olds, which halted in 2019, will be followed by an increase in the young population of circa 23 per cent during the next decade. This will lead to a minimum increase in demand for HE of 50,000 places on the basis of demography alone and up to 350,000 places assuming increases in participation. <https://www.hepi.ac.uk/2018/03/15/demand-higher-education-2030/>
- The continuity of the proportion of students choosing to live on campus rather than at home. More than 80 per cent of students still live away from home and this figure has remained constant despite increases in the cost of participation. https://www.hepi.ac.uk/wp-content/uploads/2019/11/HEPI_Somewhere-to-live_Report-121-FINAL.pdf
- There remains a significant structural shortfall in residential supply, despite the development of an estimated 327,000 bed spaces over the last decade. <https://www.cushmanwakefield.com/en/united-kingdom/insights/uk-student-accommodation-report>
- The number of young people aged 25 to 34 years old with a tertiary qualification increased by nearly 45 per cent in OECD and G20 countries between 2005 and 2013. OECD projections expect this increase to continue until at least 2030, which will see those with a degree qualification increase from less than 14 per cent at the start of the century to more than 45 per cent by 2030. This will underpin the continued global mobility of students from which UK HE, as the most popular destination for international students outside the United States, will benefit. [http://www.oecd.org/education/skills-beyond-school/EDIF%2031%20\(2015\)--ENG--Final.pdf](http://www.oecd.org/education/skills-beyond-school/EDIF%2031%20(2015)--ENG--Final.pdf)

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Financial highlights

For the six months ended 29 February 2020



Photo credit: Robert Greshoff

FINANCIAL HIGHLIGHTS

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

- Occupancy of 99.6% achieved across the seven AssetCos
- Turnover of £33.6 million, up 2.4% on a like-for-like basis
- EBITDA before sinking fund of £21.9 million
- Healthy cash balance of £53.9 million, made up largely of liquidity reserve accounts and amounts payable to the holder of subordinated loan notes

For the period from 1 September 2019 through to 29 February 2020, the Bond portfolio has performed in line with expectations. The historic Average Debt Service Coverage Ratio (ADSCR) of 1.25 for the 12-month period to 29 February 2020 was comfortably above lock-up triggers set at 1.15.

Occupancy for the 2019/20 academic year has been secured at 99.6% across the portfolio. As such, rental receipts are now fixed for the year - as are the majority of costs, with the exception of utilities.



3.1 AssetCo Consolidated Profit and Loss Account for the six months ended 29 February 2020

	Feb 2020	Feb 2019	Change %
	£'000	£'000	
Turnover	33,571	32,772	2.4
Cost of sales	(10,255)	(9,465)	(8.3)
Gross profit	23,316	23,307	0.0
Gross profit margin	69.5%	71.1%	
Overheads	(1,379)	(1,298)	(6.2)
EBITDA before sinking fund expenditure	21,937	22,009	(0.3)
EBITDA margin	65.3%	67.2%	
Sinking fund expenditure	(2,360)	(1,367)	(72.7)
EBITDA	19,577	20,642	(5.2)

Financial highlights

- Turnover up 2.4%, primarily due to RPI-linked rental increases
- Occupancy for 2019/20 of 99.6% (2018/19: 99.4%)
- Strong gross profit and EBITDA margins in line with expectations

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 2.4% on a like-for-like basis, primarily due to contractual rental increases. For the six months ended 29 February 2020, occupancy was 99.6% across the portfolio which is in excess of modelled expectations.

Turnover for the period is £33.6 million.

Cost of sales is made up of facilities management costs, employee costs, utilities and internet access costs which increased by 8.3% to £10.3 million (2019: £9.5 million). Facilities management costs and employee costs are subject to RPI increases year on year. There has also been an increase in utilities expenditure.

Overheads have increased by 6.2% to £1.4 million (2019: £1.3 million).

In total, EBITDA before sinking fund decreased by 0.3% to £21.9 million (2019: £22.0 million).

Sinking fund costs consist of items throughout the accommodation that reach the end of their economic life and require replacement. Whilst sinking fund expenditure is highly predictable and 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.

3.2 Sinking fund and operational performance

On 1 August 2019, ParentCo submitted a consent request in relation to an investment made by UPP (Plymouth Three) Limited to accelerate planned maintenance and refurbishment works. Shareholders elected to fund £2.9 million additional investment and consequently developed a remedial plan in full consultation with the Monitoring Adviser.

This investment resulted in a Level 2, Phase 1 Monitoring Trigger Event which is being resolved in line with the provisions of the Common Terms Agreement. One of the conditions for approval was that ParentCo, in consultation with the Monitoring Adviser, Bishopsfield Capital Partners ('BCP'), would engage a suitably qualified organisation to prepare a Lifecycle Report relating to the AssetCo accommodation to be delivered to BCP no later than 31 December 2019. Following extensive discussion with the Monitoring Adviser, the Report was delivered during March 2020, later than the agreed date.

During 2017, UPP (Exeter) Limited successfully reached agreement with the contractor in relation to a latent defect identified in its newly built accommodation during the year ended 31 August 2015. A programme of remediation works to rectify the latent defect is currently underway which will continue throughout 2019/20 and 2020/21.



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Ratio calculations



Photo credit: Robert Greshoff

As set out in Paragraph 2 of Part 2 of Schedule 9 of the CTA, the ratio calculations as at 29 February 2020 are:

4.1 Historic Senior DSCR (for the 12 months to 29 February 2020)

£'000	Consolidated
Turnover	67,118
Cost of sales	(19,841)
Overheads	(2,681)
EBITDA pre-sinking fund	44,596
Sinking fund	(7,987)
EBITDA	36,609
CAFDS adjustment ¹	859
CAFDS	37,468
Debt service	29,765
Historic Senior DSCR	1.26

4.2 Projected Senior DSCR (for the 12 months to 28 February 2021)

£'000	Consolidated
Turnover	67,887
Cost of sales	(18,773)
Overheads	(2,560)
EBITDA pre-sinking fund	46,553
Sinking fund	(4,853)
EBITDA	41,700
CAFDS adjustment ¹	53
CAFDS	41,753
Debt service	30,167
Projected Senior DSCR	1.38

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

4.3 Historic AssetCo DSCR

UPP (Alcuin) Limited	1.34
UPP (Broadgate Park) Holdings Limited	1.41
UPP (Kent Student Accommodation) Limited	1.42
UPP (Nottingham) Limited	1.35
UPP (Oxford Brookes) Limited	1.41
UPP (Plymouth Three) Limited	0.52
UPP (Exeter) Limited	1.37

4.4 Projected AssetCo DSCR

UPP (Alcuin) Limited	1.42
UPP (Broadgate Park) Holdings Limited	1.40
UPP (Kent Student Accommodation) Limited	1.51
UPP (Nottingham) Limited	1.33
UPP (Oxford Brookes) Limited	1.43
UPP (Plymouth Three) Limited	1.28
UPP (Exeter) Limited	1.43



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)

c.c. Bishopsfield Capital Partners Limited as Monitoring Adviser

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

Date: April 2020

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.

Capitalised terms not defined in this certificate have the meaning given to them in the Common Terms Agreement.

1. We refer to the Common Terms Agreement. This is a Compliance Certificate is delivered by the Issuer and the Group Agent pursuant to:
 - (a) Paragraph 7.3 of Part 1 of Schedule 6; and
 - (b) Paragraph 2 of Part 1 of Schedule 7
2. We confirm that the ratios (together the “Ratios”) are as detailed in the tables below:

Historic Ratios	12 months ended 29 February 2020	
	Applicable Ratio	Actual Ratio
Historic AssetCo DSCR		
UPP (Alcuin) Limited	1.15	1.34
UPP (Broadgate Park) Limited	1.15	1.41
UPP (Kent Student Accommodation) Limited	1.15	1.42
UPP (Nottingham) Limited	1.15	1.35
UPP (Oxford Brookes) Limited	1.15	1.41
UPP (Plymouth Three) Limited	1.15	0.52
UPP (Exeter) Limited	1.15	1.37
Historic Senior DSCR	1.15	1.26

Projected Ratios	Projected for Relevant Calculation Period/Date	
	Applicable Ratio	Actual Ratio
Projected AssetCo DSCR		
UPP (Alcuin) Limited	1.15	1.42
UPP (Broadgate Park) Limited	1.15	1.40
UPP (Kent Student Accommodation) Limited	1.15	1.51
UPP (Nottingham) Limited	1.15	1.33
UPP (Oxford Brookes) Limited	1.15	1.43
UPP (Plymouth Three) Limited	1.15	1.28
UPP (Exeter) Limited	1.15	1.43
Projected Senior DSCR	1.15	1.38

3. We confirm that historic ratios have been calculated using the most recently available financial information required to be provided by the relevant AssetCo under Schedule 8 (Covenants of the AssetCos) of the Common Terms Agreement and delivered together with this Compliance Certificate.
4. 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 Common Terms Agreement and delivered together with this Compliance Certificate; and
 - (c) are consistent with the Accounting Standards (insofar as such Accounting Standards reasonably apply to such calculations and projections).
5. We recognise the uncertainties arising from the COVID-19 pandemic and have run a downside sensitivity analysis relative to the forward -looking ratios. This analysis is based on 2020/2021 Financial Year Occupancy assumptions of 100% where a nomination is in place and 92% occupancy elsewhere and the ratios remain above the required levels.
6. 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 29 February 2020 (“the Test Date”), the ratio of:
 - i. the aggregated Net Cash Flow in respect of such AssetCo for the 12 months (the “Test Period”) ended on 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.
7. 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 other than the Trigger Level 2, Phase 1 Monitoring Trigger Event notified on 31 August 2019; the following steps are being taken to remedy the referenced Monitoring Trigger Event:
 - A remedial plan setting out the cure period and measurable milestones has been implemented in full consultation with the Monitoring Adviser in line with the provisions in the Finance Documents; and
 - The Plymouth AssetCo and ParentCo are continuing to ensure that the milestones outlined in the remedial plan are achieved and that, where the Monitoring Adviser has made comment or asked for amendments, these are actioned accordingly.
 - The Plymouth AssetCo is continuing to provide Quarterly reports to the Monitoring Adviser outlining its actual performance against the agreed Performance Objectives. The Monitoring Adviser in turn, is continuing to provide its quarterly review reports stating its views and analysis of the Trigger Level 2, Phase 1 Monitoring Trigger Event as required. These reports are available per the notification to the Noteholders dated 17 December 2019.
 - (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
 - (d) this Compliance Certificate is accurate in all material respects.

Yours faithfully



Elaine Hewitt

Director



Henry Gervaise-Jones

Director

For: UPP Bond 1 Limited (as Group Agent)

UPP Bond 1 Issuer Plc (as Issuer)

—

Unaudited consolidated financial accounts for UPP Bond 1 Holdings Limited

For the six months ended 29 February 2020



— Unaudited consolidated financial statements

For the six months ended 29 February 2020

Basis of reporting

The Company commenced trading on 5 March 2013 by acquiring six subsidiary companies from its parent company, UPP Group Limited. The Company acquired an additional company, UPP (Exeter) Limited, on 9 December 2014.

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

Group income statement

For the six months ended 29 February 2020

		Unaudited Six months ended 29 February 2020	Unaudited Six months ended 28 February 2019
	Notes	£'000	£'000
Turnover	5	33,571	32,772
Cost of sales		(10,255)	(9,465)
Gross profit		23,316	23,307
Operating expenses		(7,642)	(6,429)
Operating profit	7	15,674	16,878
Interest receivable and similar income	8	50	89
Interest payable and similar charges	9	(17,878)	(21,741)
Loss on ordinary activities before taxation		(2,154)	(4,774)
Tax credit/(charge) on loss on ordinary activities	10	-	1,925
Loss for the financial period		(2,154)	(2,849)

The above results all relate to continuing operations.

Group statement of comprehensive income

For the six months ended 29 February 2020

	Unaudited Six months ended 29 February 2020	Unaudited Six months ended 28 February 2019
	£'000	£'000
Loss for the financial period	(2,154)	(2,849)
Fair value movements on RPI swaps	9,217	(1,456)
Re-measurement (loss)/gain recognised on defined benefit pension scheme*	-	-
Movement on deferred tax relating to pension liability*	-	-
Total other comprehensive income	9,217	(1,456)
Total comprehensive income for the period	7,063	(4,305)

*Year end adjustment only

Group statement of changes in equity

For the six months ended 29 February 2020

Attributable to owners of the Parent

	Share capital	Revaluation reserve	Other reserve	Cash flow hedge reserve	Profit and loss account	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 September 2018	55,570	41,710	(21,462)	16,509	(52,522)	39,805
Reclassification	-	(21,462)	21,462	-	-	-
Loss for the financial period	-	-	-	-	(2,849)	(2,849)
Other comprehensive income	-	-	-	(1,456)	-	(1,456)
Balance at 28 February 2019	55,570	20,248	-	15,053	(55,371)	35,500
At 1 March 2019	55,570	20,248	-	15,053	(55,371)	35,500
Loss for the financial period	-	-	-	-	(5,105)	(5,105)
Other comprehensive income	-	1,100	-	(1,711)	-	(611)
At 31 August 2019	55,570	21,348	-	13,342	(60,476)	29,784
At 1 September 2019	55,570	21,348	-	13,342	(60,476)	29,784
Loss for the financial period	-	-	-	-	(2,154)	(2,154)
Other comprehensive income	-	-	-	9,217	-	9,217
Balance at 29 February 2020	55,570	21,348	-	22,559	(62,630)	36,847

Other reserve

Other reserve relates to deferred tax liability on fair value adjustments arising on business combinations.

Group statement of financial position

As at 29 February 2020

		Unaudited Six months ended 29 February 2020	Unaudited Six months ended 28 February 2019
	Notes	£'000	£'000
Fixed assets			
Intangible assets	11	119,268	123,209
Tangible assets	12	550,696	552,821
		669,964	676,030
Current assets			
Debtors: amounts falling due within one year	13	5,179	4,467
Debtors: amounts falling due after one year	14	30,629	20,381
Cash at bank and in hand		53,895	50,129
		89,703	74,977
Creditors: amounts falling due within one year	15	(37,951)	(34,667)
Net current liabilities		51,752	40,310
Total assets less current liabilities		721,716	716,340
Creditors: amounts falling due after more than one year	16	(682,987)	(679,345)
Net assets excluding pension liability		38,729	36,995
Provisions for liabilities	17	(1,882)	(1,495)
Net assets		36,847	35,500

Group statement of financial position (continued)

Share capital and reserves			
Called-up share capital	18	55,570	55,570
Revaluation reserve		21,348	20,248
Cash flow hedge reserve		22,559	15,053
Profit and loss account		(62,630)	(55,371)
		36,847	35,500



Photo credit: Robert Greshoff

Group statement of cash flows

For the six months ended 29 February 2020

		Unaudited Six months ended 29 February 2020	Unaudited Six months ended 28 February 2019
	Notes	£'000	£'000
Net cash flow inflow from operating activities	19(a)	31,816	30,790
Investing activities			
Interest received		50	89
Interest paid		(8,822)	(9,032)
Net cash flow from investing activities		(8,772)	(8,943)
Financing activities			
Cash outflow from repayment of fixed-rate debt		(5,912)	(5,196)
Cash outflow from repayment of index-linked debt		(2,617)	(2,445)
Net cash flow from financing activities		(8,529)	(7,641)
Increase in cash and cash equivalents		14,515	14,206
Cash and cash equivalents at 1 September 2019		39,380	35,923
Cash and cash equivalents at 29 February 2020	19(b)	53,895	50,129

— Notes to the unaudited consolidated financial statements

For the six months ended 29 February 2020

1. Company information

UPP Bond 1 Holdings Limited is a limited liability company incorporated in England. The registered office is 40 Gracechurch Street, London, EC3V 0BT.

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, a series of transactions and not individual transactions.

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.

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.

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.

Where the Company has used merger relief or group reconstruction relief to account for an investment in a subsidiary, the difference between the fair value of the equity issues and the value of the equity issued after applying merger relief or group reconstruction relief is reinstated as another reserve on consolidation.

Going concern

The Directors have reviewed the Group's projected profits and cash flows which they have prepared on the basis of a detailed analysis of the Group's finances, contracts and likely future demand trends. After consideration of these projections, the Directors consider that the Group will be able to settle its liabilities as they fall due and, accordingly, the financial statements have been prepared 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

The Group has adopted a policy to revalue the principal assets every five years, with an interim valuation performed in year three of the cycle and in other years if there is evidence that the value has changed significantly. The Group engages independent valuation specialists to determine the fair value of the assets every five years, with a Directors' valuation performed at any other interim period.

The valuation technique employed by both the independent valuers and Directors is based on a discounted cash flow model, as there is a lack of comparable market data due to the specific nature of the property assets. The determined fair value of the principal assets is most sensitive to the estimated rental growth and discount rate, as well as the long-term occupancy rates.

Valuation of RPI swaps

Derivatives are initially recognised at fair value at the date a derivative is entered into and are subsequently re-measured to their fair value at each reporting date. The fair value of the derivatives has been determined on a transfer-value basis,

which takes into consideration the price the hedging instrument could be replaced with another one with the same remaining terms. To that end, a calibration of usual valuation models has been performed on the trade date for each derivative to determine an initial spread to be added onto market conditions applied at each year end. Those market interest rate and inflation curves for a replacement have been used, deriving future cash flows based on forward rates and discounting them to produce their reported value. The Group has used a third-party expert to assist with valuing such instruments.

Goodwill useful economic life

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 10.

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, 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 revalued amount where the impairment loss of a revalued asset is a revaluation decrease.

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

Deferred taxation

Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.

Defined benefit pension scheme

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

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

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

Each year the Group applies judgement in assessing the status of these interests in accordance with the provisions of FRS 5 (Application Note F), assessing the balance of the significant risks and rewards of ownership of the asset. The appropriate balance sheet treatment of these interests is to treat the asset as a finance receivable asset, where the Company 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 and, therefore, the assets are treated as tangible fixed assets.

Classification of index-linked financial instruments

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 has concluded that, despite both principal and interest being linked to RPI, these links are not leveraged because both principal and interest repayment obligations change in the same proportion and, therefore, the condition in paragraph 11.9(a) and (aA) is met and the Group's index-linked financial instruments are classified as basic and carried at amortised cost.

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 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 that 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 company'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 surplus or deficit on the book value of the historical asset is transferred to the 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

Turnover consists of rent receivable that is recognised on a straight-line the basis of the amount receivable in respect of the accounting 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 straight-line 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) Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued, together with the fair value of any additional consideration paid.

(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 three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Group Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

(g) Interest bearing loans and borrowings*Loans, secured and unsecured notes*

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 effective 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 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

Derivatives, including inflation swaps, are not basic financial 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) Finance costs

Financing costs, 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.

Financing costs 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.

(k) 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.

(l) 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 profit and loss when the hedge relationship ends. Hedge accounting is discontinued when the hedging instrument expires, no longer meets the hedging criteria, the forecast transaction is no longer highly probable, the hedged debt instrument is derecognised or the hedging instrument is terminated.

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

(m) Taxation*(i) Current tax*

Current tax is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting periods, using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

(i) Deferred tax

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated.

Deferred tax assets that arise from trading operations of the Group are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is recognised when income or expenses from a subsidiary have been recognised, and will be assessed for tax in a future period, except where:

- the Group is able to control the reversal of the timing difference; and
- it is probable that the timing difference will not reverse in the foreseeable future.

A deferred tax liability or asset is recognised for the additional tax that will be paid or avoided in respect of assets and liabilities that are recognised in a business combination. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

With effect from 1 March 2018, the ultimate parent company of the Group has elected for Real Estate Investment Trust ('REIT') status to apply to the Group companies. As a result, the Group no longer pays income tax on profits and gains from qualifying property rental business providing it meets certain conditions. Deferred tax accrued to the date of conversion in respect of assets and liabilities of the qualifying property rental business will no longer be provided for as the relevant temporary differences will no longer be taxable on reversal.

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 REIT Holdings Limited and as such the Company has taken advantage of the terms of FRS 102.33.1A not to disclose related party transactions which are eliminated on

consolidation, from the date that the Group was acquired by UPP Bond 1 Holdings Limited.

(o) Defined contribution pension scheme

Contributions to employees' personal pension arrangements during the period are charged to the profit and loss account as incurred. For eligible employees, contributions are made to employees' personal pension schemes, based on a predetermined percentage of individuals' salaries.

(p) Defined benefit pension scheme

The Group makes contributions to the Nottinghamshire County Council Pension Fund ('NCCPF') in respect of 57 employees at UPP (Nottingham) Limited.

The cost of providing benefits under the defined benefit plan is determined by using the projected unit credit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligations) and is based on actuarial advice.

When a settlement or a curtailment occurs the change in the present value of the scheme liabilities and the fair value of the plan assets reflects the gain or loss which is recognised in the income statement during the period in which it occurs.

The net interest element is determined by multiplying the net defined benefit liability by the discount rate, at the start of the period taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The net interest is recognised in profit or loss as other finance revenue or cost.

Re-measurements, comprising actuarial gains and losses, the effect of the asset ceiling and the return on the net defined benefit liability (excluding amounts included in net interest) are

recognised immediately in other comprehensive income in the period in which they occur.

Re-measurements are not reclassified to profit and loss in subsequent periods.

The defined net benefit pension asset or liability in the statement of financial position comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high-quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and, in the case of, quoted securities is the published bid price.

The value of a net pension benefit asset is limited to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme.

5. Turnover

Turnover represents income, on the basis of accounting policy 4(b), 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 £7,637 (2019: £6,142) 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 2020.

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.



Photo credit: Robert Greshoff

7. Operating profit

The operating profit is stated after charging:

	Unaudited Six months ended 29 February 2020	Unaudited Six months ended 28 February 2019
	£'000	£'000
Depreciation	1,932	1,793
Amortisation of goodwill	1,971	1,971

8. Interest receivable and similar income

	Unaudited Six months ended 29 February 2020	Unaudited Six months ended 28 February 2019
	£'000	£'000
Bank interest	50	88

9. Interest payable and similar charges

	Unaudited Six months ended 29 February 2020	Unaudited Six months ended 28 February 2019
	£'000	£'000
<i>Financial liabilities measured at amortised cost</i>		
Fixed-rate senior secured notes	7,130	7,122
Index-linked senior secured notes	4,824	5,229
Unsecured loan notes	9,231	8,864
	21,185	21,215
<i>Financial liabilities measured at fair value through profit or loss</i>		
Fair value movement on RPI swaps	(3,307)	526
Interest on net defined pension liability*	-	-
	17,878	21,741

*Year end adjustment only

10. Tax on loss on ordinary activities

	Unaudited Six months ended 29 February 2020	Unaudited Six months ended 28 February 2019
	£'000	£'000
a) Analysis of tax credit for the year		
Current tax on income for the year	-	(1,925)
<i>Deferred tax:</i>		
Movement on fair value of swaps	-	-
Total deferred tax	-	-
Total tax (credit)/charge on losses on ordinary activities	-	(1,925)

With effect from 1 March 2018, the ultimate parent company of the Group has elected for Real Estate Investment Trust ('REIT') status to apply to the Group companies. As a result, the Group no longer pays income tax on profits and gains from qualifying property rental business providing it meets certain conditions. Non-qualifying profits and gains of the Group companies continue to be subject to income tax as normal.

b) Factors that may affect future tax charges

There will be a reduction in corporation tax from 19% to 17% with effect from 1 April 2020.

11. Intangible fixed assets

	Goodwill
	£'000
Cost	
At 1 September 2019 and at 29 February 2020	145,035
Amortisation	
At 1 September 2019	(23,796)
Charge for the period	(1,971)
At 29 February 2020	(25,767)
Net book value	
At 29 February 2020	119,268
At 31 August 2019	125,180

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.

12. Tangible fixed assets

	Assets for use in operating leases
	£'000
Cost or valuation	
At 1 September 2019 and at 29 February 2020	552,628
Depreciation	
At 1 September 2019	-
Charge during the period	(1,932)
At 29 February 2020	(1,932)
Net book value	
At 29 February 2020	550,696
At 31 August 2019	552,628

Assets used in operating leases were independently valued by Jones Lang LaSalle ('JLL'), Chartered Surveyors, on an existing-use basis at 31 August 2018 in accordance with the Appraisal and Valuation Manual of The Royal Institution of Chartered Surveyors. JLL has confirmed that the value as at that date was £552,628,000.

Following an internal review of the assets used in operating leases, the Directors have concluded there is no impairment to the value as determined by JLL in 2018.

The historic cost of tangible assets held at valuation is as follows:

At 29 February 2020	533,227
At 31 August 2019	535,159

13. Debtors: amounts falling due within one year

	Unaudited Six months ended 29 February 2020	Unaudited Six months ended 28 February 2019
	£'000	£'000
Trade debtors	298	285
Amounts owed by subsidiary companies	4,231	47
Prepayments and accrued income	650	4,135
	5,179	4,467

14. Debtors: amounts falling due after one year

	Unaudited Six months ended 29 February 2020	Unaudited Six months ended 28 February 2019
	£'000	£'000
Derivative financial instruments	30,629	20,381
	30,629	20,381

15. Creditors: amounts falling due within one year

	Unaudited Six months ended 29 February 2020	Unaudited Six months ended 28 February 2019
	£'000	£'000
Fixed-rate senior secured notes	7,179	6,816
Index-linked senior secured notes	5,518	5,219
Trade creditors	873	666
Amounts owed to related parties	6,272	4,208
VAT payable	20	17
Accruals and deferred income	18,089	17,741
	37,951	34,667

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

	Unaudited Six months ended 29 February 2020	Unaudited Six months ended 28 February 2019
	£'000	£'000
Fixed-rate senior secured notes	270,135	276,487
Index-linked senior secured notes	224,557	223,325
Unsecured loan notes	200,992	191,568
	695,684	691,380
Less: included in creditors amounts falling due within one year	(12,697)	(12,035)
	682,987	679,345

Maturity of debt

Repayable within one year or on demand	12,697	12,035
Repayable in more than one year but less than two years	13,251	12,697
Repayable in more than two years but less than five years	44,833	42,091
Repayable in more than five years	624,903	624,557
	695,684	691,380
Less: included in creditors amounts falling due within one year	(12,697)	(12,035)
	682,987	679,345

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 (£21,308,000 issued on 9 December 2014) to the Group. 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	Profit and loss account	Total
	£'000	£'000	£'000
Fair value of RPI swaps at 1 September 2019	13,341	4,764	18,105
Fair value movement in the period	9,217	3,307	12,524
Fair value of RPI swaps at 29 February 2020	22,558	8,072	30,629

17. Provisions for liabilities

	Pension Liability	Total
	£'000	£'000
At 1 September 2019	1,882	1,882
At 29 February 2020	1,882	1,882

18. Called-up share capital

	29 February 2020	28 February 2019
	£'000	£'000
Issued, allotted, called-up and fully paid		
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 49,999 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.

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 2020	Unaudited Six months ended 28 February 2019
	£'000	£'000
Operating profit	15,674	16,878
Depreciation	1,932	1,793
Goodwill amortisation	1,971	1,971
Decrease/(increase) in debtors due within one year	1,277	(360)
Increase in creditors due within one year	10,962	10,508
Net cash inflow from operating activities	31,816	30,790

(b) Cash and cash equivalents comprise the following:

	At 29 February 2020	At 28 February 2019
	£'000	£'000
Cash at bank and in hand	24,659	21,964
Short-term deposits	29,236	28,165
Cash and cash equivalents	53,895	50,129

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, 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:

Hedge arrangements with external parties:

- a 27-year RPI swap with Royal Bank of Canada commencing in February 2014 and finishing in February 2040
- a 27-year RPI swap with Mitsubishi UFJ Securities International plc 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 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 are mirrored with matching derivative instruments on-lent to six subsidiary undertakings ('AssetCos') as follows:

Hedge arrangements with AssetCos

- a 25-year RPI swap with UPP (Alcuin) Limited commencing in February 2015 and finishing in August 2040
- a 27-year RPI swap with UPP (Broadgate Park) Holdings Limited commencing in February 2015 and finishing in February 2042
- a 27-year RPI swap with UPP (Kent Student Accommodation) Limited commencing in February 2015 and finishing in February 2042
- a 27-year RPI swap with UPP (Nottingham) Limited commencing in February 2015 and finishing in February 2042
- a 26-year RPI swap with UPP (Oxford Brookes) Limited commencing in February 2014 and finishing in August 2039
- a 27-year RPI swap with UPP (Plymouth Three) Limited commencing in February 2015 and finishing in February 2042

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 that 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 maturity of borrowings is set out in note 15 to the financial statements.

Terms and debt repayment schedule

	Currency	Effective interest rate (%)	Year of maturity	Book value 2020
				£'000
Fixed-rate senior secured notes	£	4.9023%	2040	270,135
Index-linked senior secured notes (issued 2013)	£	2.9105%	2047	86,032
Index-linked senior secured notes (issued 2014)	£	1.0520%	2049	138,525
Unsecured loan notes (issued 2013)	£	9.3700%	2056	174,815
Unsecured loan notes (issued 2014)	£	11.3800%	2051	26,177
				695,684

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 cementing 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 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.

Capital risk management

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

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 2020	Carrying amount At 28 February 2019
	£'000	£'000
Financial assets		
<i>Financial assets measured at fair value:</i>		
Derivative financial liabilities – RPI swaps	30,629	20,381
Financial liabilities		
<i>Financial liabilities measured at amortised cost:</i>		
Fixed-rate senior secured notes	270,135	276,487
Index-linked senior secured notes	224,557	223,325
Unsecured loan notes	200,992	191,568
Trade creditors	873	666
Other related party loans	6,272	4,208
Total financial liabilities measured at amortised cost	702,829	696,254

22. Parent undertaking and controlling party

UPP Bond 1 Holdings Limited is a wholly-owned subsidiary of UPP REIT Holdings Limited.

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

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



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