Annual Report

Including consolidated financial statements for the year ended 31 August 2020

STRATEGIC REPORT

GOVERNANCE

FINANCIAL STATEMENTS

Directors	Irina Frolova Henry Gervaise-Jones Elaine Hewitt Henk Huizing Robert McClatchey Andrew Wilkie Jingshen Hu
–	–
Secretary	Sanne Secretaries Limited
–	–
Auditor	KPMG LLP 15 Canada Square London E14 5GL
–	–
Registered office	IFC 5, St. Helier, Jersey, JE1 1ST

UPP at a glance

OVER
£3bn
Invested in the UK higher education sector since 1998

£94.4m
EBITDA

£254.3m
Turnover

OVER
430,000
Students provided a home for since 1998

OVER
36,000
Rooms in operation or under construction

99.1%
Average occupancy across the portfolio

AROUND
1000
Employees

£221.7m
Projected gross rent roll (fully built-out)

15
Long-term bespoke partnerships with 15 leading universities

STRATEGIC REPORT

Highlights for the year

The Directors present their report and financial statements for the year ended 31 August 2020.

1

University of London's 511-room Eleanor Rosa House welcomes first students

2

Phases Two and Three of the University of Hull's Westfield Court reach completion, providing a total of 1,462 new rooms

3

Financial close announced on £43m deal for the operation of an additional 411 rooms on the University of Swansea's Bay Campus

4

First private-let contract in £1m deal with Imperial College London to manage 192 rooms at 88 Wood Lane, White City

5

During the national lockdown due to the COVID-19 pandemic, the Group continued to provide services for approximately 9,000 students remaining on campus

Photo credit: Robert Greshoff

6

We invested in technology and moved our student experience activities online, with more than 50 unique initiatives and events delivered virtually, and hosted nine focus groups attended by more than 50 students

7

Our student experience team launched our Home @ Halls student blog, with 2,440 visitors across 58 different countries

8

Despite the impact of the restrictions imposed, rents for Term Three 2019/20 were received in full

9

UPP Foundation commits £100k in grant funding for five pilot projects to be delivered by charities and universities

10

HRH The Princess Royal officially opens University of London's flagship Eleanor Rosa House accommodation

11

Former Universities Minister joins UPP Foundation's Trustee and Advisory boards

STRATEGIC REPORT

Who we are

UPP REIT Holdings Limited is the UK's leading on-campus and longest-standing partner to UK universities, delivering safe and affordable residential and academic accommodation infrastructure.

The Group has a single-sector focus, establishing bespoke, long-term partnerships with outstanding institutions to help students live and learn at university.

Established in 1998, we design, fund, develop and operate affordable, high-quality facilities, offering universities a demand-risk transfer approach to the provision of new assets or the transfer of existing assets.

We are organised into three business units – UPP Management, UPP Residential Services and UPP Projects – to leverage the full benefit of our multi-disciplinary expertise in the interests of our partners, whilst also making sure that each of our businesses are supported by a number of corporate services, including communications, compliance, finance and human resources.

STRATEGIC REPORT

Our vision

Our vision is to be the leading provider of student accommodation services in the UK, working with the trust and confidence of our university partners.

Our strategic aims

To achieve our vision, we aim to:

- Drive operational excellence throughout our business
- Delight our university partners with the service we provide
- Generate value for our investors, enabling them to invest further in the growth of our business

Our strategic priorities:

To achieve our strategic aims we will focus on six strategic priorities:

- **Student experience** – Deliver excellent, easy to access student experience initiatives, seamlessly integrated with those of our partners
- **Partnership** – Develop and maintain highly-effective university partnerships
- **Our people** – Develop a safe, highly-engaged, skilled and collaborative organisation
- **Accommodation** – Apply effective asset management to provide good quality, value for money accommodation
- **Continuous improvement** – Promote a culture of continuous improvement by embracing technology, innovation and driving efficiencies
- **Development** – Develop highly-effective and innovative design, construction and funding capabilities

STRATEGIC REPORT

Our business model

Our bespoke model allows our university partners to develop their estates whilst reinvesting in their core services – namely teaching and research.

We design and build new residential and academic accommodation infrastructure, undertake estate transfers, and operate these facilities on a long-term basis. A critical element of this is delivering high-quality services to students to ensure we are constantly improving their experience during their time at university.

Our transactions are mainly undertaken on a demand-risk-transfer basis. This allows the asset developed to be accounted for on an off-balance-sheet-basis by our university partners, reverting to the partner in a prescribed condition at the end of each concession. In this way, our partners can use their resources more strategically to invest in other areas of importance be it teaching, research or other infrastructure, whilst improving the quality of services to students, through its agreement with UPP.

We encourage our partners to take an equity share in the project, so both parties can benefit from the successful performance of the accommodation, and our interests are consistently aligned throughout the life of the project.

UPP is organised on the basis of three business units, with corporate services supporting each:

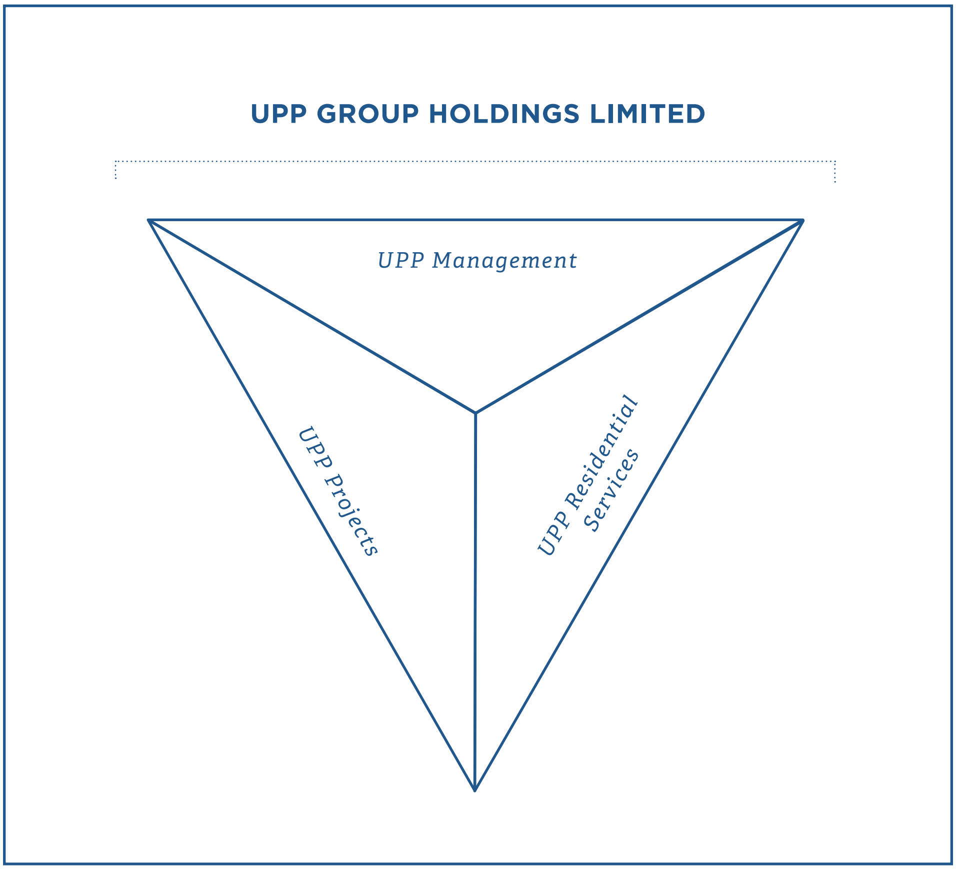


Photo credit: Robert Greshoff

UPP Management

Long-term asset management of the portfolio

This business unit is accountable for managing each of our partnerships. It is tasked with ensuring the rights and obligations of both parties within each Project Agreement are being adhered to.

It is also responsible for developing and implementing a long-term asset management plan to manage UPP's investment and ensure the accommodation remains attractive to students throughout each concession.

UPP Management is responsible for the performance of each project company and more specifically for:

- Developing timely and strategic engagement with each of our university partners
- Ensuring new developments are constructed on time, to quality and to budget
- Continuing to secure sector-leading occupancy, typically in excess of 99%
- The quality of asset management services to each of our partnerships
- Developing the range and quality of other commercial revenues

UPP Residential Services

Delivering facilities management services

This business unit provides a full range of FM services including cleaning and reactive maintenance, front of house and post room services, implementation of planned maintenance and sinking fund works and the delivery of student experience initiatives.

With well over a decade of experience in delivering high-quality specialist services to the HE sector, our team has a proven track record in delivering step-changes to the quality of services our partners offer their students, while transferring delivery risk away from each university – based on an agreed payment mechanism both for availability and performance.

The team manages the operational mobilisation of each new partnership, ensuring that all services are in place for the start of the academic year; as well as expertly managing each annual intake of new students and their departure at the end of the academic year.

UPP Projects

Design, funding, planning, and development

This business unit is the originator of new partnerships and leads on new development projects with existing partners.

The team has expertise in the design, development and funding of our accommodation. It has extensive experience in working with award-winning architectural practices and top-tier construction contractors to deliver high-quality residential and academic accommodation.

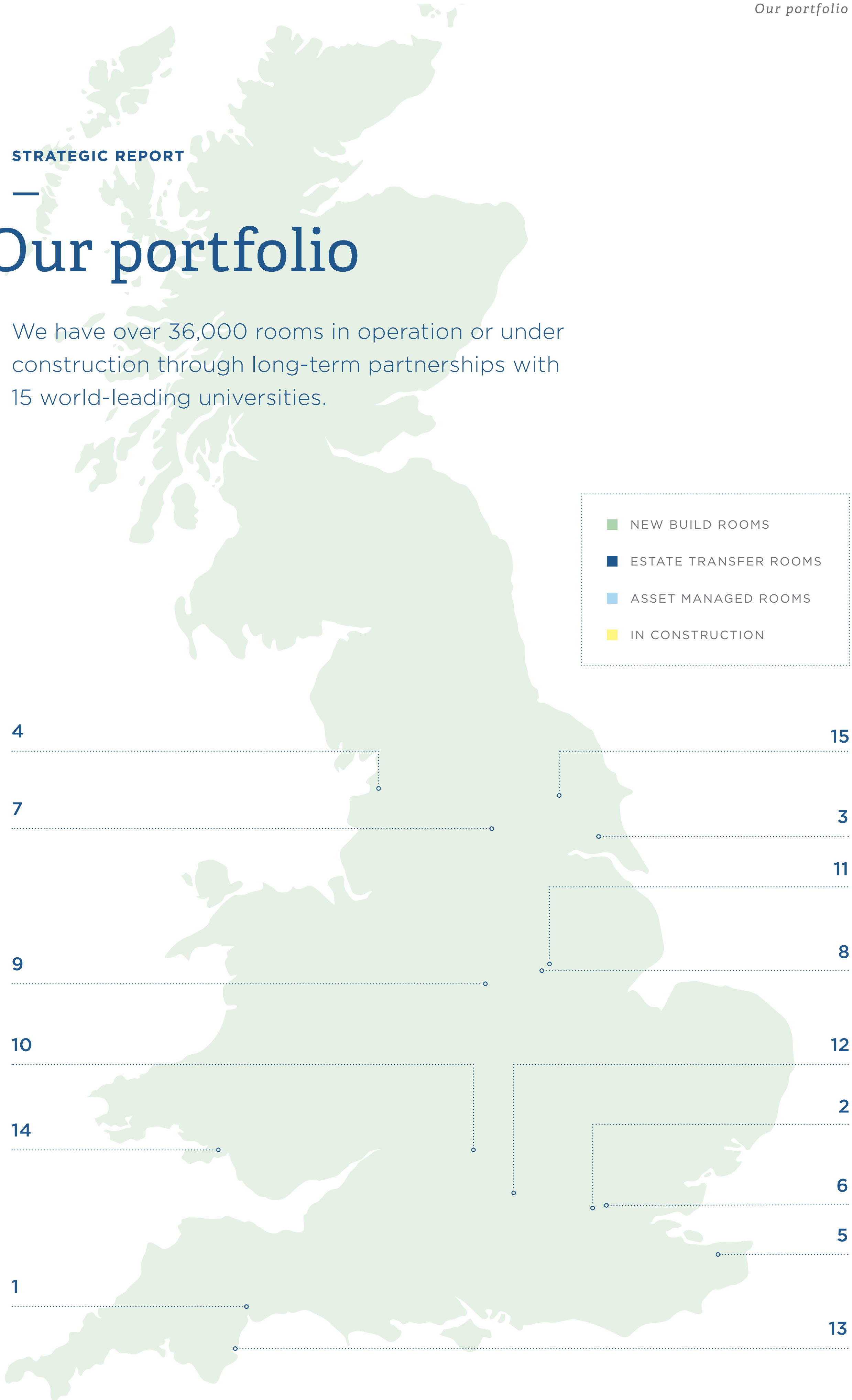
This team is responsible for the:

- Commercial and legal negotiations for each new project and partnership
- Consultation and planning process
- Procurement and negotiation of the construction contract
- Origination of all debt and equity financing
- Financial analysis and modelling

STRATEGIC REPORT

Our portfolio

We have over 36,000 rooms in operation or under construction through long-term partnerships with 15 world-leading universities.



1

UNIVERSITY OF EXETER

4,131

£330M INVESTED SINCE 2009

2

IMPERIAL COLLEGE LONDON

1,364

ASSET MANAGED SINCE 2011

3

UNIVERSITY OF HULL

1,750

£155M INVESTED SINCE 2017

4

LANCASTER UNIVERSITY

4,347

£213M INVESTED SINCE 2003

5

UNIVERSITY OF KENT

1,840

£103M INVESTED SINCE 2007

6

UNIVERSITY OF LONDON

1,711

£245M INVESTED SINCE 2014

7

LEEDS BECKETT UNIVERSITY

2,038

£154M INVESTED SINCE 2005

8

UNIVERSITY OF NOTTINGHAM

2,223

£115M INVESTED SINCE 2003

9

LOUGHBOROUGH UNIVERSITY

1,310

£61M INVESTED SINCE 2007

10

OXFORD BROOKES UNIVERSITY

771

£38M INVESTED SINCE 2002

11

NOTTINGHAM TRENT UNIVERSITY

4,413

£154M INVESTED SINCE 2002

12

UNIVERSITY OF READING

4,982

£276M INVESTED SINCE 2011

13

UNIVERSITY OF PLYMOUTH

1,764

£95M INVESTED SINCE 1998

14

SWANSEA UNIVERSITY

2,432

£141M INVESTED SINCE 2018

15

UNIVERSITY OF YORK

1,043

£44M INVESTED SINCE 2001

STRATEGIC REPORT

Chief Executive Officer's statement

The results for the financial year ended 31 August 2020 reflect the strength of the UPP business model, which delivers returns based on stable, long-term, RPI-linked revenues. During the year, the Group has continued to grow its core business – delivering new transactions with existing partners and increasing the number of beds under operation.

The principal activities of the Group during the year continued to be the design, financing, development and operation of student accommodation. During the year, the Group saw an increase in rental income of £14 million (8 per cent) to £186 million, with new rooms becoming operational and contractual rental increases being applied across the portfolio. EBITDA increased by £6 million (7 per cent) to £94 million. The operational performance of the Group remained strong, achieving 99.1% per cent occupancy for the financial year ended 31 August 2020 and 96.4% per cent occupancy on available rooms at the start of the financial year ending 31 August 2021.

In September 2019, the first student residents moved into the University of London's Eleanor Rosa House in Stratford, London. Forward funded and now operated by UPP, the scheme was constructed by the Watkin Jones Group. The 33-floor scheme adds an additional 511 study bedrooms and associated communal space to the University's residential portfolio. It was officially opened by Her Royal Highness The Princess Royal, Chancellor of the University of London, in January 2020.

September also saw student residents occupying the final phases of the brand-new Westfield Court residences developed in partnership with the University of Hull.

Designed, built, and financed by the Group, the nine-block development will be operated by UPP over the 51-year concession. The first phase of the scheme, totalling 478 rooms, was completed ahead of the 2018 academic term, with the remaining 984 rooms becoming operational in September 2019. The scheme provides a total of 1,462 rooms, with an investment value of over £155 million. Successful completion of Westfield Court, which had a total construction value of over £97 million, means that UPP now operates 1,750 rooms across the campus, including 288 rooms at the Taylor Court residences.

In early December 2019, UPP reached financial close on a further deal with Swansea University, St Modwen Developments and Swan Global LLP. The transaction, to a value of £43 million, saw UPP acquire the freehold of 411 rooms at Bay Campus, where a full facilities management service is now being delivered.

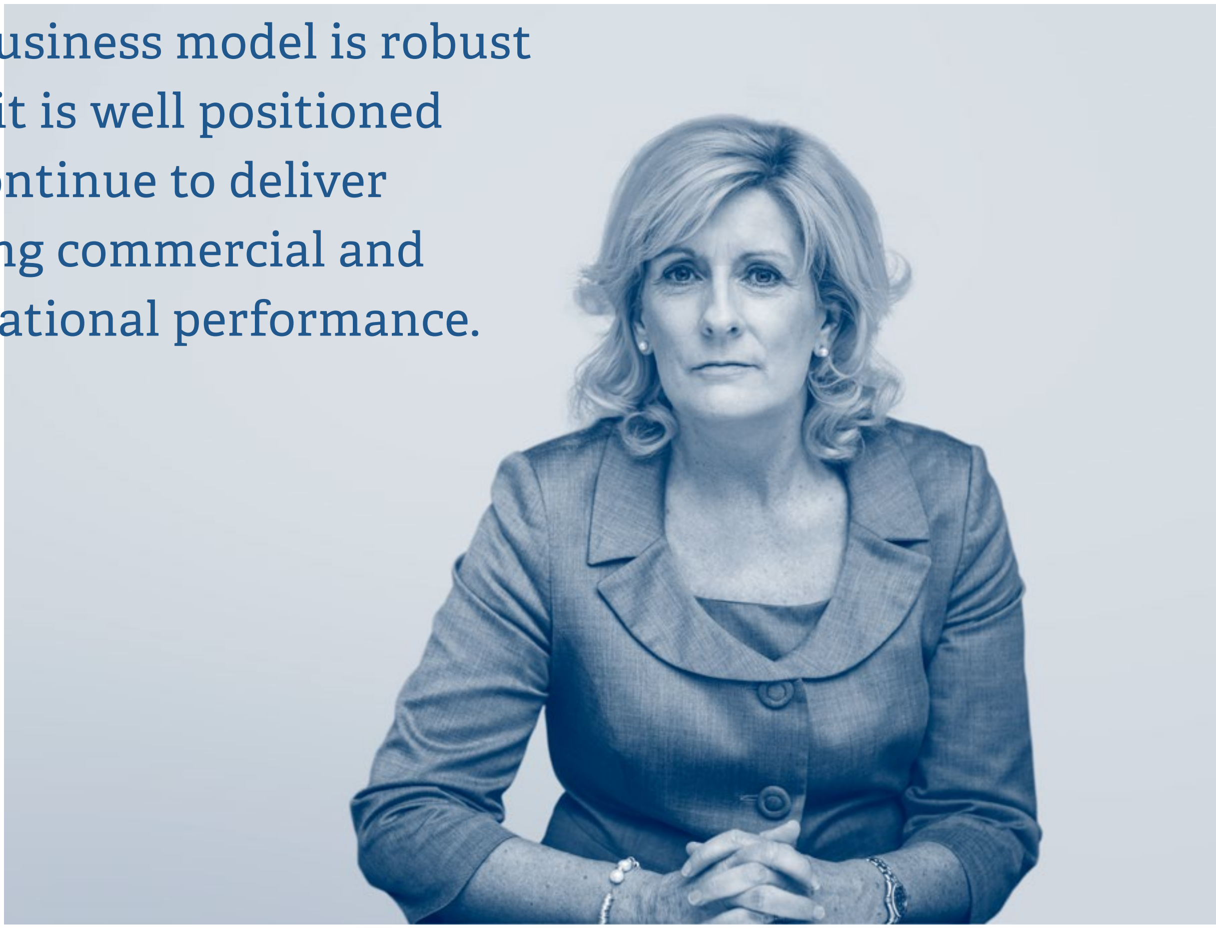
Under the arrangement with Swan Global Education LLP – a joint venture between Swansea University and the international pathway course provider Navitas – UPP will benefit from an underwrite of 100% of the rental and utilities costs for the first ten years. Navitas will source international students to undertake pathway courses of varying lengths at the purpose-built college facility on the Bay Campus and residential accommodation will be provided via the student residences.

Upon conclusion of the initial ten-year agreement, a further arrangement with Navitas could be negotiated – otherwise the accommodation is set to revert to a traditional offering to higher education students through the University.

The acquisition includes £38.4 million of index-linked debt financing, with a debt tenor of circa 45 years, and takes the number of rooms operated by UPP on the Bay Campus to 2,432. UPP Group Holdings Limited invested £4.7 million of subordinated debt and equity. The deal also marked UPP's first bilateral financing with Aberdeen Standard Investments and continues to demonstrate the attractiveness of the UK higher education sector to investors, as well as the credit positive elements of the UPP business model.

Also in December, UPP won its first private residential contract in a £1 million deal to deliver a three-year, full facilities management service to Imperial College London. In what was a first for UPP, the private tender appointment saw UPP Residential Services take over the operation of 192 one, two and three-bedroom apartments on the University's White City Campus in Hammersmith and Fulham. The apartments include 59 units for the University's key workers.

The position of UPP remains strong; its business model is robust and it is well positioned to continue to deliver strong commercial and operational performance.



In January 2020, the Group announced my appointment as its new Chief Executive Officer, succeeding Richard Bienfait who left the business at the end of the same month. I joined the business in April 2020 from NHS Property Services Limited, where I had been Chief Executive Officer since 2015. In this role I was responsible for overseeing a £3 billion asset portfolio, some 4,000 properties, 5,000 employees and an annual income of more than £700 million. Prior to this, I was Group Property Director at BT Group PLC and Crown Representative in the Cabinet Office.

Since joining UPP, I have been struck by the hard work and dedication of all our teams across the country and, in particular, this has been demonstrated by their response to the impact of the COVID-19 pandemic. As with many other industry sectors, the impact on UK higher education has been significant, with universities ordered to close during the first lockdown and many students choosing to return home rather than remain in residence.

As the severity of the crisis escalated, we established an Infectious Diseases Working Group (IDWG), bringing together key personnel to co-ordinate UPP's response across all aspects of our business and providing advice and resources for our teams. We worked together with our partners to ensure accommodation continued to be available to students who remained and that it was operating safely and effectively, following the advice from Public Health England as it evolved.

During the period of lockdown, a large majority of universities made the decision to release students from their accommodation contracts. As a result of the credit and void provisions of the contracts, the Group continued to receive all revenues due in respect of the remainder of the academic year.

All of our accommodation continued to be available to students and our teams maintained safe and secure accommodation for nearly 9,000 students who remained on campus at the peak of the outbreak, supporting those in self-isolation and ensuring access to Mental Health First Aid-trained teams. We also committed to supporting our university partners in ensuring students were able to return to COVID-19 Secure accommodation at the start of the academic year 2020/21.

We invested in technology and moved our student experience activities online – with the launch of our Home @ Halls student-facing blog, more than 50 unique initiatives and events delivered virtually, the creation of a new online community and focus groups with more than 50 students.

In April 2020, UPP Bond 1 Issuer PLC issued a statement in relation to a senior debt downgrade, noting Standard and Poor's Global Ratings (S&P) decision to revise downwards the current credit rating on the senior secured debt issued by the Group. The ratings on the £307.1 million of senior secured fixed rate notes due 28 February 2040; the £75.0 million of senior secured index-linked notes due 31 August 2047; and the £149.7 million of index-linked notes due 31 August 2049 have moved to BBB+ from A-. The rating outlook for the notes, issued under the £5.0 billion multicurrency issuance programme, had been revised from stable to negative.

In a statement in relation to this decision published 24 April 2020, the Group noted that downgrades had taken place across many ratings in response to the COVID-19 crisis. It also recognised that there was increased uncertainty with respect to the beginning of the academic year 2020/21, relating to the timing of the relaxation of social distancing and international travel restrictions.

However, the Group said that it believed that the decision to revise S&P's base case, and downgrade the credit rating as a result, reflected an unduly conservative view of short-term risk and that it saw no basis for negative revisions to long-term assumptions.

In terms of the short-term risk to occupancy, the Group's view 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 Group's business model, had the capacity to significantly ameliorate risks to occupancy, has been borne out.

With respect to the reduction of the long-term base-case occupancy assumption for the assets, the Group said it was of the view that this was not supported by the projected market outlook. This view is based on considerations including the fact that the UPP Bond 1 portfolio has achieved in excess of 99.0% occupancy each year since its inception, with an average of 99.7% over the last six years. This is in excess of S&P's previous base case assumption of 98.0% and contrasts with the decision to assume 96.0% occupancy moving forward.

During August 2020, Moody's Investors Service held a Ratings Committee following a review of UPP Bond 1 Issuer PLC. Having held the rating at "Baa1 under review for downgrade" since an initial ratings committee in May 2020, the rating was reaffirmed as Baa1, stable outlook.

This reaffirmation reflected the strength of the contractual arrangements between the partners with Term Three rent payments being paid in full; progress made on the 2020/21 lettings position; and that the Projected Debt Service Cover Ratio based on lettings at the time would be in excess of 1.20x (and comfortably passes the distribution lock-up test of 1.15x).

Shortly after the financial year end, in September 2020, UPP celebrated the successful practical completion of the construction and handover of two new build schemes at long-standing partner the University of Exeter. Construction began on the £41.4 million Spreytonway and Moberly redevelopments in June 2018, with the new, high-quality, modern developments providing an affordable offer to students and increasing the number of available rooms to 381.

At the same time, UPP also delivered the first phase of its £139.7 million development on the University's East Park campus. This delivered a further 604 high-quality bedrooms and forms the first part of what is a 1,182-bedroom development – representing the largest build of on-campus accommodation at the University since 2012. Construction commenced in January 2019, and the remaining rooms are due to reach practical completion in time for September 2021. On final completion, UPP will operate over 4,000 rooms on the University's campus.

After the financial year end, in October 2020, UPP REIT Holdings Limited, the parent company of UPP Group Holdings Limited, announced that Craig Bryant, Group Legal Director, and Mike Eady, Group Health, Safety and Environment Director, had left UPP as part of a restructure of the Group's Executive Leadership Team. It confirmed that the responsibilities of the Group Legal Director and Group Health, Safety and Environment Director will be assumed by the Chief Financial Officer, Managing Director Asset Management and Managing Director Commercial as part of a streamlined Executive Leadership Team.

Finally, during the course of the year ended 31 August 2020, the UPP Foundation, UPP's independent charity, has continued its mission to tackle the biggest issues facing the higher education sector across the UK – awarding grants to universities, charities and other higher education bodies. This year the UPP Foundation invested £100,000 in five pilot projects selected by Trustees on the basis of their overall quality, synergy with the UPP Foundation's strategic themes, commitment to partnership, innovative approach and potential for sector-wide impact.

Further to a roundtable hosted by the UPP Foundation and attended by a number of experts from charities, universities, schools, and others, it also published a report outlining how young people can be supported during and after the global COVID-19 pandemic.

In summary, the position of UPP remains strong; its business model is robust and it is well positioned to continue to deliver strong commercial and operational performance from a portfolio of assets that are central to the operations of its university partners.

Outlook

Whilst there remains uncertainty with respect to the longevity of the impact of restrictions imposed due to the COVID-19 pandemic, there remains good reason for confidence in ongoing and longer-term trading conditions.

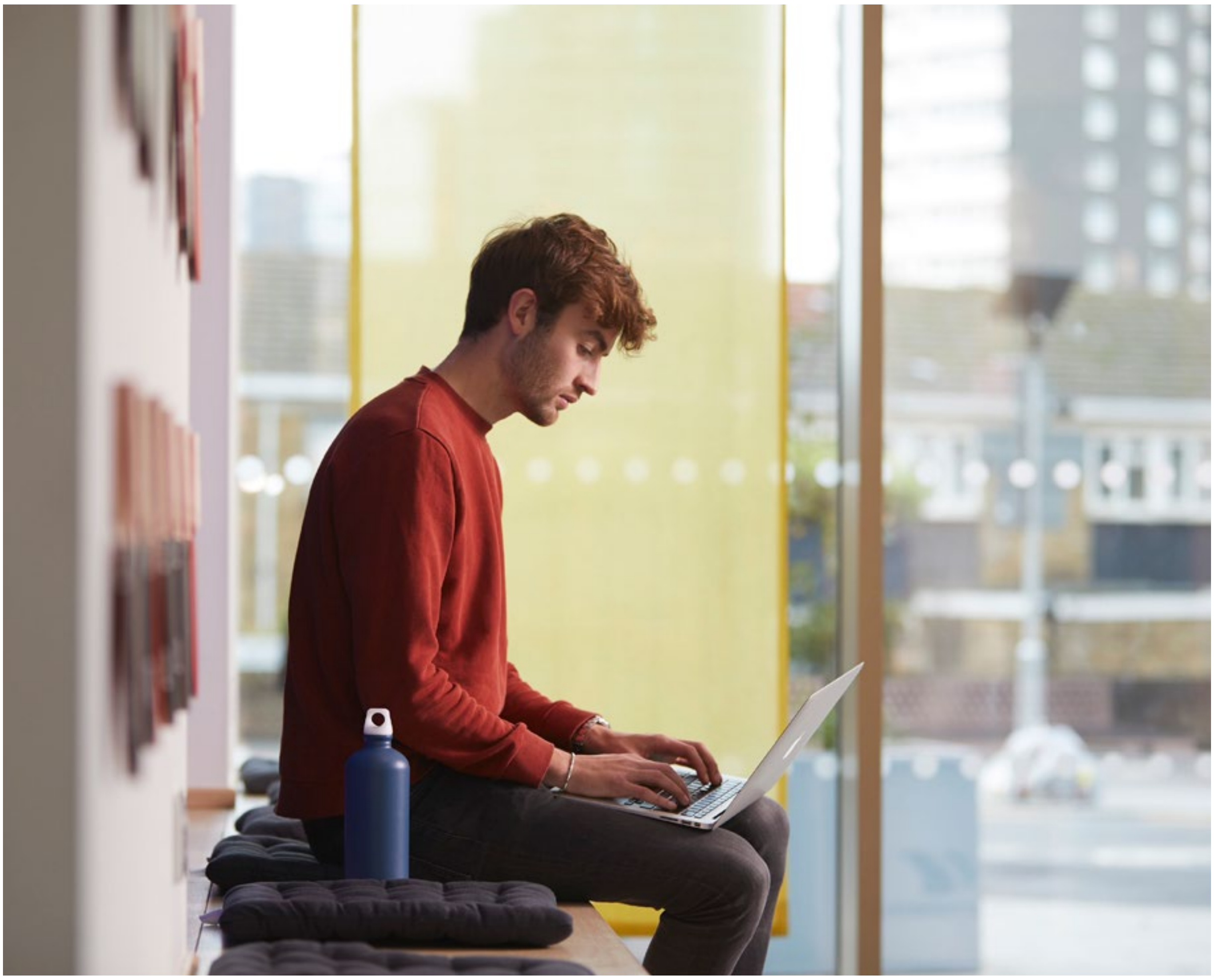
This view is based on an assessment of structural demand and supply characteristics and specifically;

- Demand modelling by the Higher Education Policy Institute to 2035 has identified that the demographic decline in UK 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 full-time higher education of 50,000 places on the basis of demography alone and up to 360,000 places assuming increases in participation.
- 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.
- Increasing levels of international demand and social mobility. 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. Whilst the Group experienced COVID-related uncertainty through a critical part of the sales cycle, that saw rooms being held for international students that were the subsequently unable to travel, the UK remains the most popular destination for international students outside the United States.
- There remains a significant structural shortfall in residential supply, as ongoing enrolments increase at a faster rate than supply, despite the development of an estimated 327,000 bed spaces over the last decade.
- A continuing pipeline of transactions under procurement with leading universities.

We remain confident both in the robust nature of domestic and international demand for UK higher education and therein for residential accommodation. UPP is well placed to secure and deliver transactions coming to market based on a unique, selective approach to partnerships and the co-benefits of such transactions.

STRATEGIC REPORT

Our market: A review

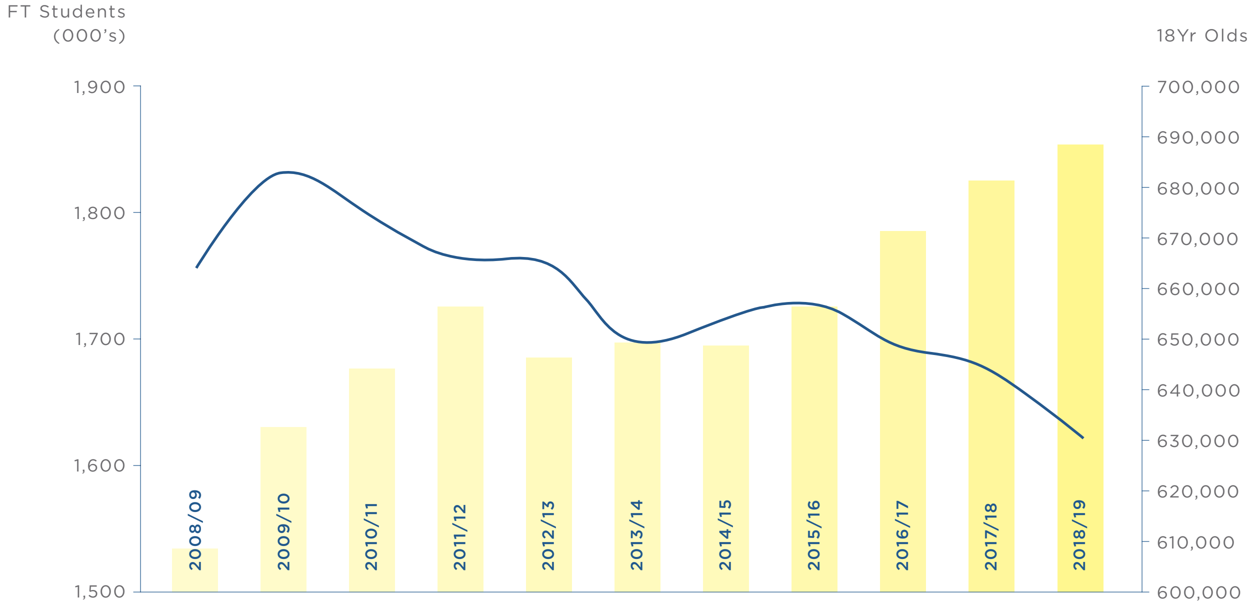


Despite the considerable impact on UK higher education ('HE') wrought by the COVID-19 pandemic and the impact of Brexit, the sector has maintained its position as the leading global destination for students after the USA. UCAS applicant data issued following the 30 June 2020 main scheme deadline identifies continued growth in demand of 2% overall or the equivalent of more than 14,000 extra applicants on the previous cycle.

This deadline saw applications from approximately 653,000 prospective students. Applicant numbers from the UK were up by 2%, a 7,980 increase on the 2019/20 cycle, however there was a decline in applicants from EU countries of 2%, the equivalent of 1,000 students. The number of applicants from outside the EU witnessed strong growth at 10%, an increase of 7,790 new prospective international students. The data also identified the continuing increase in the rate of application from 18-year-olds.

This cohort has seen year on year increases over the last decade from 34.7% in 2012 to 38.9% in 2019. This figure increased again during the 2020 cycle to 40.5% of the 18-year-old population. This is positive news for the Group as this is by far the largest demand cohort for its accommodation. The chart below identifies the demographic trend in the number of 18-year-olds in England relative to full-time enrolments.

UK Full-time HE Enrolment (y axis) relative to the number of 18-year-olds in England (z axis) 2008-2018



Source: HESA (Headcount)/ONS

One of the many impacts of the COVID-19 pandemic was the disruption of annual exam cycles. The Government took the decision during the latter part of August 2020 to revert to centre assessment grades, as the method for agreeing results. This led to a very busy and volatile annual Clearing process and had the effect of incentivising more students to apply directly through this route.

Subsequently, on the basis of UCAS sector level clearing updates following Clearing, data suggested that there had been an increase in placed applicants overall of 4% to 508,090 to date in comparison to last year at the same stage of the cycle.

Institutions classified as high tariff have seen placed applicant numbers increase by 11% to 169,570, with medium tariff universities growing by 1%. The number of placed applicants at lower tariff institutions remained at the same level. There was an increase in both UK and non-EU placed applicants of 4% and 7% respectively in comparison to last year at this stage, whilst there was a 5% decrease in those from EU countries.

Those placed to their firm choice institution were also up by 5% to 397,990 and represent approximately two-thirds of those placed. The increase in those being placed in their firm choice impacts other routes such as insurance placings and clearing, as less students require a second option at that stage. Insurance placings were down 24%. Placed applicants seeking to defer were up by 8% to 27,630, however, this represents only 2,000 students. The composition of this group has been driven by an increase in UK applicants of 5% and an increase in international students of 89% year on year.

Applicants for all courses by domicile group (30 June 2020 deadline)

App. Domicile	2016/17	2017/18	2018/19	2019/20	2020/21
England	459,430	437,860	421,610	418,940	427,290
Northern Ireland	21,100	20,290	19,310	18,520	18,150
Scotland	49,470	48,940	48,710	47,110	47,250
Wales	23,740	22,530	21,830	21,470	21,330
UK	**553,740**	**529,620**	**511,460**	**506,040**	**514,020**
EU (excluding UK)	51,850	49,250	50,130	50,650	49,650
Non-EU	69,300	70,830	75,380	81,340	89,130
Total	**674,890**	**649,700**	**636,970**	**638,030**	**652,800**

Source: UCAS

Early indications of demand for the academic term 2021/22 appear encouraging. The first comparable data point for the coming academic year, namely the 15 October deadline, identifies an overall increase of 12% in undergraduate applicants seeking to study at Oxford, Cambridge or medicine, dentistry or veterinary courses. In terms of domicile, applicant numbers from the UK increase by 14%, the equivalent of more than 6,500 extra students year on year, whereas EU applicant numbers fell by 19% or 1,260 students. In terms of academic demand, however, this fall was more than compensated for by an increase in international students. Applicant numbers rose by 20% or circa 3,000 students to a total of 17,510 by the 15 October deadline.

STRATEGIC REPORT

Principal risks and uncertainties

We are purposefully structured to manage the risks and uncertainties of investing in UK higher education infrastructure.

Risk	How we mitigate the risk
Competition • The risk that a student will choose to live in the accommodation of another operator • Pressure on rent prices	• Research-led with UK-wide analyses of our competitors • Annual benchmarking of rents, discussing uplifts with our partners to understand market characteristics, contract agreement and any movement in overall cost base • The bespoke nature of each deal allows us to manage the impact of competition on demand • Accommodation is typically located on-campus and marketed directly by each university through its accommodation office • Commercial agreement between UPP and each university places conditions on future arrangements or developments with competitors
Revenue • Where the price of accommodation sits above market levels, demand could be impacted as students seek alternative housing options • In an environment of rising RPI, the ability to secure contractually allowable rental increases is more challenging	• Managing the day to day relationship with each university (agreeing annual rents and ensuring they remain sustainable in the long term) • Advise partners on marketing • Ensure each asset is operated in compliance with the relevant Project Agreement • Develop long-term strategies for maintenance of our assets
Customer • Cost pressures leading students to look for alternatives to a traditional degree (i.e. apprenticeships) or to study on a non-residential basis • Competition between institutions mean that students seek both the best facilities and value for money	• Bespoke service level agreements that provide partners with a step-change in the number, types and quality of the services provided • Monthly liaison and Partnership Board meetings with university and student union representatives to identify issues and resolve in a timely manner. • Multifaceted approach to understanding student behaviour (sector-level market research, focus groups, customer satisfaction surveys and a standing product and services Innovation Working Group)
Demand • Students may choose not to attend a partner university • Not enough students enrol to fill the available accommodation • Reliance on the continued popularity of the three-year on-campus residential model particularly in light of the impact of COVID-19	• Research-led, careful selectivity criteria which sits at the heart of when and with whom we transact • Operationally – through our specialist asset management team UML and our operations Company URSL • Engagement with government and sector policy-makers to identify potential long-term occupancy risks and establish plans to mitigate • Rigorous control of risk-capital expended in new partnerships

STRATEGIC REPORT

Principal risks and uncertainties (continued)

Risk	How we mitigate the risk
Construction • Successful delivery of the asset to programme against the hard-coded nature of the academic cycle	• Procure top-tier contractors, with a full security package for funders and partners: – liquidated and ascertained damages regime – performance bonds and/or a Parent Company guarantee • Developments closely managed with a Project Director and a Clerk of Works to report on progress, risks, compliance and programme and quality monitoring
Wellbeing • Risk of injury to those living in or working at UPP accommodation	• Continually monitoring compliance to systems and benchmarking through established audit and inspection regime undertaken by external parties and our own team • Implementing a programme of cultural change focused on raising awareness of good behaviour amongst our workforce • Robust Business Continuity and Escalation procedures in place to ensure risks are identified immediately
Climate • Inability to comply with legislated environmental standards and targets • Inability to evidence sustainable investment and operations to funders and other stakeholders	• Sustainability policy and utilities optimisation workstream in place • Progress tracked and reported at quarterly Board meetings • GRESB assessments review our ESG performance against a broad range of criteria including energy, waste, greenhouse gas emissions, health and safety, environment, risk management, reporting and stakeholder engagement
Funding and liquidity availability • Availability of funding at the desired cost and tenor for new projects could become more difficult	• Our in-house financial procurement and modelling team, enabling us to identify and engage with those institutional lenders who are specifically interested in investing in HE projects as well as potential new investors who are looking for attractive yet relatively low risk returns. • Wide experience of the market for private placement transactions, for which typically UPP and its Shareholders will provide any subordinated debt and equity. • Projects are funded with fully amortising, long-term debt structures which remove the potential need to refinance mid-concession.

STRATEGIC REPORT

Principal risks and uncertainties (continued)

Risk	How we mitigate the risk
BREXIT • Demand for UK HE will be impacted by changes to the current tuition fee regime	• Whilst we are unable to mitigate this risk directly, we work with the Higher Education Policy Institute to understand the quantum of the risk • The risk of an impact to residential demand is remote and scenario modelling suggests that any falls in the number of EU students will be more than offset by an increase in international student recruitment • Our Asset Management team is working closely with our university partners, supporting marketing activities to international students.
Policy • Changes in political sentiment towards participation in HE might lead to restrictions being imposed on student recruitment • Recent policy changes with respect to how the sector is funded and the number of young people attending university	• Established thought leader in the UK HE sector, working with government and policy-making bodies to input to policy changes • Contribution to policy consultations and work closely with industry bodies (Universities UK, The Higher Education Policy Institute, The Higher Education Commission and The Confederation of British Industry) • Sit on key Boards and committees to ensure we have a voice

STRATEGIC REPORT

Our People

The high quality and capability of our people and our collective skills, expertise and experience define us, and we are fully committed to inspiring all of our employees to excel.

Our commitment to our strategy has ensured that the Group continues to grow but more importantly continues to deliver excellent services to the students of our partners. We remain committed to investing in and looking after our people, who now number nearly 1,000 across the UK.

Inherent within our people strategy and its implementation is a commitment to ensure the highest standards of inclusion, equality and diversity. 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. This includes providing the opportunity for our employees both to take volunteering days and for the charities of their choice to benefit from match funding via the UPP Foundation – the independent charity established by UPP in 2016.

We believe that equality of opportunity is essential for the successful and innovative development of both UPP and its communities. We are committed to promoting equality of opportunity, eliminating unlawful discrimination and valuing the different contributions and experiences of all our staff.

We firmly believe it is important for our people to feel empowered to make a difference and we support this by ensuring each individual receives the right training and development opportunities, so they can grow professionally and personally, while at the same time meeting the evolving challenges of our industry. To foster a culture of trust and mindfulness, we ensure that the wellbeing and safety is everyone's responsibility.

Employee engagement is critical to the performance of the business and we have in place numerous initiatives to ensure ongoing two-way conversations with our teams. These include monthly, all-employee video conference calls with the CEO and wider leadership team where any questions or issues faced by our teams can be raised. We also provide news, information and features to all employees through our in-house magazine, Speak UPP, and weekly emails.

Every year we conduct Speak Out, our Group-wide employee engagement survey, which helps us understand what we are doing well as an organisation, together with what and how we need to improve. We use these valuable insights to further improve our culture and working environment, as well as to ultimately build an even better UPP for their future.

We hold 'We invest in people' Silver Accreditation and are committed to the highest standards of inclusion, equality and diversity. We support the Living Wage Foundation rates of pay and invest in our people through training and development.

STRATEGIC REPORT

Our approach to Health and Safety

The health, safety and wellbeing of all of our employees and students is our most important priority as a business. We believe in ensuring that the highest standards of technical health and safety compliance are in place across our portfolio, and that these are audited on an on-going basis. This focus is balanced with a clearly defined behavioural approach aimed at informing, educating and inspiring our teams and our students to recognise that safety is everyone's responsibility.

We all have a requirement to assist with the prevention and investigation of accidents, ill-health, negative environmental impacts (including pollution prevention) and quality risks along with the maintenance of safe and healthy working conditions. We expect all our employees to take care of their own health, safety and welfare as well as that of any person who could be affected by their acts or omissions. We also expect them to bring to our attention any unsafe acts or conditions that they witness, experience or are made aware of.

We are committed to the continuous improvement of our health, safety, welfare, environmental and quality management systems. We have established policies and procedures in place for all colleagues, visitors, residents and others who may be indirectly or directly affected by our business. We also provide mandatory training, instruction and supervision to all employees and contingent workers to underpin our approach. The training is designed to reduce our organisational risks and comply with local or national policies and government guidelines. Our approach is supported by externally accredited ISO45001:2018 compliance.

In addition, UPP is accredited to environmental standard ISO14001:2015, and quality standard ISO9001:2015.

In light of the Grenfell Tower fire in 2017 the Group immediately established a Fire Safety Working Group (FSWG). Initially the aim of this Group was to audit all of the cladding systems across the portfolio, to provide reassurance to our partners and students that our buildings comply with prevailing building regulations. One building was found to require cladding remediation works and these were undertaken and completed during 2018.

Following the subsequent fire at another operated student accommodation building in Bolton, Greater Manchester during November 2019, this remit was widened to a full review of fire strategies across our portfolio and this has been undertaken in conjunction with external fire safety consultants, our primary authority and our Partner universities.

This on-going workstream has enabled UPP to review its compliance with all relevant fire regulations which include Level 1 or 2 fire alarm systems, the completion of annual fire risk assessments, annual servicing of fire safety equipment and fire door safety checks. All fire alarm activations are investigated by trained staff and it remains the case that the design of our new-build and transferred accommodation is factored into the fire safety and evacuation strategy in each case.

During the financial year the Group also faced the challenges of the impact of the COVID-19 pandemic and the social and economic restrictions introduced by Government to reduce the spread of the virus. At an early stage UPP invoked its pandemic plan as well as establishing an Infectious Diseases Working Group. (IDWG) bringing together key personnel to co-ordinate the Group's response across all aspects of our business and provide advice and resources for our teams. Activities introduced across our portfolio included:

- An increased focus on cleaning, with service delivery re-profiled to provide maximum assistance in preventing the spread of the disease
- Reinforcement and re-communication of Government guidance on preventing the spread of disease
- A move to remote working where possible, along with other measures designed to protect staff
- A process of risk assessments for vulnerable members of staff
- Supporting and facilitating self-isolation of students where required
- The introduction of our pandemic Standard Operating Procedures
- Close liaison with university teams on amended/enhanced cleaning and maintenance activities
- On-going monitoring and testing of business continuity plans for our construction activities and our wider supply chain
- Providing additional support for our employees including additional sick pay and annual leave entitlements

STRATEGIC REPORT

Environmental, Social and Governance

During the year the Group has launched its new Environmental, Social and Governance (ESG) strategy. Sustainability represents a key element of this and the Group has committed itself to a high level vision of respecting the environment and positively contributing to the communities within which we work.

We believe that sustainability is of primary importance to the ongoing success of the Business because:

- Sustainability sits at the core of the Group's values – Partnership, Responsibility, Innovation and Communitydelivery re-profiled to provide maximum assistance in preventing the spread of the disease
- Sustainability initiatives enhance the resilience of our assets and represent the responsible course of action both for the Group, our Shareholders – who have a long-term investment – and for wider society;
- Meeting the environmental and social needs of our student communities, whilst ensuring our rents are affordable, will enhance the student experience, whilst maintaining demand for our assets and full occupancy;
- Collaborating with our partner universities to share innovation and help them achieve their objectives will enhance customer satisfaction, providing sustainable growth opportunities; and
- Engaging with employees and our supply chain will help facilitate a positive contribution to the community and mitigate reputational risk.

STRATEGIC REPORT

Key financial performance indicators

The key financial performance indicators during the year were as follows:

	Note	2019/2020 £'000	2018/2019 £'000
Turnover		254,302	258,068
EBITDA (Earnings before interest, tax, depreciation and amortisation)	10	94,437	88,126
Loss after tax	10	(5,725)	(19,421)

Key drivers behind the movements in key financial performance indicators above are:

- Turnover decreased by 1% during the year primarily due to the decrease in construction income (by £16,297k) partially offset by increase in student accommodation rental income (by £13,839k).
- The increase in EBITDA during the year was caused mainly by higher rental income reflecting rental value growth and portfolio growth.
- Loss after tax decreased mainly due to lower net finance costs and due to the factors mentioned above.

Reconciliation of EBITDA to gross profit:

	Note	2019/2020 £'000	2018/2019 £'000
Gross profit		124,701	114,395
Operating expenses	10	(68,462)	(64,065)
Amortisation and depreciation	10	38,198	37,796
EBITDA		94,437	88,126

Other key performance indicators:

- The Company's principal activity is that of a holding company of its subsidiary undertakings.
- The Group monitors the relevant indicators of its subsidiary undertakings on an annual basis for any significant change.

The appropriate key performance indicators of each of the core income streams of its subsidiary undertakings are:

Subsidiary undertakings that provide student accommodation

The following is considered by the Directors to be an indicator of average performance of the subsidiary undertakings that provide student accommodation and that is not necessarily evident from the financial statements.

	2019/20	2018/19
Average Application: Acceptance ratio	6.81 : 1	6.00 : 1

The above measure shows how many students apply for one bed of accommodation provided by the Group.

The indicator above is directly related to the performance of the relevant university partners of these subsidiary undertakings, among other factors, and any changes in these statistics may potentially affect the performance of that subsidiary undertaking.

The Directors also monitor the nominated occupancy levels of the student accommodation facilities.

	2019/20	2018/19
Average nominated occupancy across all facilities	99.1%	99.1%

The above measure shows the average during the academic year of students rooms nominated to all rooms provided by the Group. The target occupancy levels across all facilities is 98-99%, as such the Directors are satisfied that the movements noted above are within tolerable limits.

Subsidiary undertaking that provides facilities management services

The Directors would like to report that during the current year the numbers of bed spaces to which they provide services is 36,000.

On behalf of the Board

Henry Gervaise-Jones
Director

17 February 2021

GOVERNANCE

Corporate governance statement

Governance is essential to building a successful business that is sustainable for the longer term. UPP is committed to ensuring and maintaining high standards of corporate governance to enhance performance for the protection of our stakeholders' interests.

UPP has a robust governance structure in place which operates at four discrete levels, each providing the opportunity for Directors, the Executive Leadership Team and other Senior Officers of the Business to review, challenge and maintain oversight of measures in place to manage the risks faced by the business.

These include quarterly meetings of the parent company Board (UPP REIT Holdings Limited) and the Board responsible for managing the direction and progress of executing the business strategy (UPP Group Holdings Limited). Both these Boards have Shareholder Directors and Executive Directors and provide the opportunity to review the overall risk appetite of the business in light of market developments.

A third level of oversight and challenge is provided by UPP Group Limited, which sits as an Investment Committee to review progress on transaction opportunities, and operational investment and performance. This body is empowered to make recommendations to the Group and REIT Holdings Boards, recognising matters reserved for either the Group or Shareholders. In the case of individual Special Purpose Vehicles (SPVs), formal SPV Board Meetings and Partnership Boards take place on an alternating bi-annual basis, with University Partner representation where a minority shareholding exists.

GOVERNANCE

Statement from the Chairman

The Board of Directors ('the Board') of UPP REIT Holdings Limited ('the Company') recognises the importance of corporate governance and its contribution to promoting the long-term success of the Group. The Board has voluntarily adopted the Quoted Companies Alliance ('QCA') Corporate Governance Code ('the Code') in line with changes to TISE's Listing Rules requiring Issuers to follow a recognised code of corporate governance. The Code contains ten principles of good corporate governance and our application of these principles at this current point in time is summarised below.

The Chairman is responsible for the leadership and governance of the Board, and for promoting high standards of integrity, probity and governance throughout the Group. The Group's values of Partnership, Responsibility, Innovation and Community aim to foster a culture of accountability and efficiency, which stimulates sustainable business growth in line with our long-term business model. Our culture supports the Group's mission to provide a pragmatic and sensible regulatory regime which appropriately balances the needs and interests of all of our stakeholders.

The Board determines the Group's strategy and overall commercial objectives, ensuring that our organisation is run effectively for the long-term benefit of our shareholders and other key stakeholders. The Group's growth strategy is based on a selective, value accretive approach which seeks to transact and establish partnerships with those institutions best positioned to deliver sustainable demand, and which fit the well-established and understood risk appetite of the Board.

The Chairman is responsible for setting the Board's agenda and for ensuring that all directors have the necessary time, information, understanding and support to effectively contribute their skills and experience to inform Board discussions and shape the Group's strategic direction. The Chairman is also responsible for ensuring that the views of our shareholders are communicated to the Board as a whole and the Group's governance and reporting arrangements are kept under review and enhancements are made where opportunities to do so are identified.

Given the fact that these are voluntary disclosures the information disclosed in relation to the above ten principles are summarised.

GOVERNANCE

Our Boards

The Principle Boards of the Group are currently:

- UPP REIT Holdings Limited
- UPP Group Holdings Limited
- UPP Group Limited
- UPP Residential Services Limited
- UPP Projects Limited
- UPP Management Limited
- Special Purpose Vehicles

Board composition

At UPP the UPP Group Holdings Board comprised of an Independent Chairman, the Chief Executive, representatives of UPP's shareholders and UPP Directors. This is the right blend of commercial and governance experience, independence and challenge and that the diverse range of skills and backgrounds of the Directors prevents any undue individual or collective influence over the Board's decision making.

The Board has regular meetings. It met formally six times during the year, with additional Board conference calls held between the scheduled Board meetings as and when circumstances required it to meet at short notice.

The Directors' attendance records at the Board meetings held during the year are shown in the table below;

Meeting Date	4.10.19	13.11.19	20.01.20	05.03.20	20.05.20	09.07.20
Rob McClatchey (Chair)	Y	Y	Y	Y	Y	Y
Richard Bienfait*	Y	Y	Y	-	-	-
Irina Frolova	Y	Y	Y	Y	Y	Y
Henry Gervaise-Jones	Y	Y	Y	Y	Y	Y
Elaine Hewitt**	-	-	-	-	Y	Y
Jingshen Hu	N	N	N	N	N	N
Henk Huizing	Y	Y	Y	Y	Y	Y
Andrew Wilkie	Y	Y	Y	Y	Y	Y

**Resigned 31/01/2020   **Appointed 07/04/2020*

Board diversity

The Group fully recognises the benefit of diversity, including gender and ethnic diversity, when the Committee is searching for candidates for Board appointments our policy is to appoint the best possible candidate considered on merit and against objective criteria, rather than set objectives on gender that may deflect from achieving this fundamental target on each occasion.

Changes to the Board

During the Year There have been some changes to the Board this year. As previously reported Richard Bienfait, stepped down as Chief Executive Officer and resigned from the Board on 31 January 2020. In the interim, Rob McClatchey was the acting Chief Executive Officer prior to the appointment of Elaine Hewitt as Chief Executive Officer with effect from 1 April 2020 and she then formally joined the Board as of 07 April 2020.

Matters reserved for the Board

In order to retain control of key decisions and ensure that there is a clear division of responsibilities between the Board and the running of the Group business, the Board has a formal schedule of matters reserved for its decision. These reserved matters include Group strategy and structure, governance and regulatory compliance, financial reporting, major capital commitments, major contracts and agreements, internal controls, significant remuneration changes, stakeholder engagement and material corporate transactions (including acquisitions and disposals). The formal schedule is reviewed annually to ensure that it remains fit for purpose and sets the parameters for management and expectation for internal controls.

GOVERNANCE

Executive Directors

Elaine Hewitt

Chief Executive Officer

Elaine was appointed Chief Executive Officer of UPP in 2020, to lead and deliver on UPP's strategic commitments to operational excellence, long-term partnerships and generating value for reinvestment in the future growth of the Business. She has significant knowledge and expertise in delivering facilities and property services, gained most recently during her role as Chief Executive Officer for NHS Property Services Ltd where she was responsible for managing and servicing a £3bn asset portfolio, some 4,000 properties, 5,000 employees and an annual income of more than £700m.

Prior to this, Elaine held the position of Group Property Director at BT Group PLC where she managed the largest corporate portfolio in the UK, delivering services to 7,000 properties globally. Elaine is a Fellow of the Royal Institute of Chartered Surveyors (RICS).

This experience evidences that she is well positioned to exercise oversight of the variety of immediate and longer-term risks faced by the business.

Henry Gervaise-Jones

Chief Financial Officer

Henry was appointed Chief Financial Officer in 2019. He has significant experience and a strong track record in leading high-value transactions in the property and Private Finance Initiative sectors, including M&A and debt capital markets. Henry joined UPP in 2018 as Director of Corporate Finance. Previous positions include Head of Financial Planning and Analysis at logistics real estate business Logicor and various corporate finance and treasury roles at Transport for London.

Henry is responsible for the financial and regulatory compliance of the Group as well as ICT. A qualified Chartered Management Accountant (CIMA), his skills and experience complement those of the CEO and other members of the Board to ensure appropriate risk mitigation measure are in place and regularly reviewed both internally and for external assurance.

GOVERNANCE

Non-Executive Directors

Robert McClatchey

Chairman

Robert was appointed Chairman of UPP Group Holdings Limited in 2016 and is Chair of the Audit Committee of UPP Group Holdings Limited.

He has had a long association with the business, having been involved in the development of UPP since its inception.

Robert was a founder member of the Barclays Infrastructure Funds and Managing Director of Barclays Infrastructure Funds Management (BIFM). Whilst at BIFM, Robert led the private equity buyout of UPP from Jarvis plc and was subsequently fully involved in the establishment of the current Group structure. He was also instrumental in the sale of the Group to its current Shareholders. He is a qualified Chartered Accountant.

The skills and experience of Robert make him well qualified to ensure that each meeting is planned effectively, conducted in an orderly and appropriate manner and that each member is recognised for their skills and experience. This includes supporting the CEO and assisting in the supervision of other members of the Executive. Rob is well placed to provide constructive challenge and guidance where required.

GOVERNANCE

Executive Leadership Team

Paul Milner

Managing Director, Residential Services

Paul was appointed Managing Director of Residential Services in 2015. In this role, he is responsible for overseeing the Group's provision of specialist residential management services. Paul is the Chair of the URSL Board and has oversight on all operational matters. Working closely with the Asset Management team he is responsible for key risk areas such as the delivery of Service Level Agreements at each SPV, in addition to ensuring that reactive maintenance and lifecycle replacement activity are co-ordinated and completed as effectively as possible.

Paul has over 25 years' experience in construction and operational management. He joined UPP from Balfour Beatty plc where he spent 15 years of this career, most recently as Commercial Director for UK Support Services. Paul has also held senior roles at Shepherd Building Group Limited, Taylor Wimpey plc and Mowlem. He is a Chartered Quantity Surveyor.

Andrew Percival

Managing Director, Commercial

Andrew was appointed in 2016 and heads up the Commercial team at UPP. He oversees the Group's design, planning, funding and development business, which is responsible for the origination, design, commercial negotiation and funding of all transactions. Andrew also leads the Project Management Office at UPP, which is responsible for the delivery of key strategic initiatives with the aim of improving the overall performance of the Group and developing a Centre of Commercial Excellence.

Andrew joined UPP from VINCI PLC where he was Director of VINCI UK Developments and VINCI Investments. His considerable commercial and financial experience in Project Finance transactions means that Andrew is ideally situated to provide oversight on many of the business risks related to the development and management of the projects delivered by the Group.

He is an active lecturer at the Bartlett School (UCL), covering topics such as complex projects, supply chain and the development process in a management context.

GOVERNANCE

Executive Leadership Team

Mark Swindlehurst

Managing Director, Asset Management

Mark was appointed Managing Director of Asset Management in January 2018. He leads the Asset Management team which will focus on driving the long-term performance of UPP's Special Purpose Vehicles, both individually and as a portfolio. Mark joined UPP from Lancaster University where he held the position of Director of Facilities and is a past Chair of the Association of University Directors of Estates (AUDE). Prior to joining the University, Mark worked for the BBC in its corporate property department.

In addition to ensuring strategic asset management plans are in place, Mark is also responsible for life cycle adequacy and the delivery of the associate programme of annual works. His role also picks up responsibility for managing risks relating to Health, Safety and Environment.

Kelly Stafford

Chief Human Resources Officer

Kelly was appointed in 2016. In this role, she has overall responsibility for managing the risks relating to the Group's people strategy, employment practices, capability and succession planning. Kelly joined UPP from Balfour Beatty plc, where she was Director of Talent & Development of the Construction Services (UK Division), as well as a member of the senior management team. Prior to this, she was Human Resource Director UK & Ireland for Tech Data Corporation Inc. In addition, Kelly has held senior positions at Carnival Corporation and Carnival plc (UK), MJ Gleeson Group plc and Crest Nicholson plc.

GOVERNANCE

Executive Leadership Team

Jon Wakeford

Group Corporate Affairs Director

Jon is responsible for the Group's communications, HE sector engagement, public affairs and Corporate Social Responsibility strategy. He has been on the ELT for a decade. Jon has more than 25 years' experience in the higher education sector and originally joined UPP in 2000, when UPP was established as a specialist business unit of Jarvis plc.

As Head of Research and Development he originated the Group's selective approach to partnerships and played a key role in the establishment of the Group's bond programme and acquisition by its current Shareholders. He has also worked as a Senior Advisor for the higher education team at KPMG. Jon is a member of the cross-party Higher Education Commission and is the Chair of the UPP Foundation.

Jon is responsible identifying and mitigating the risks associated with long-term HE demand risk, reputational and policy risk, investor relations and risks associated with ESG.

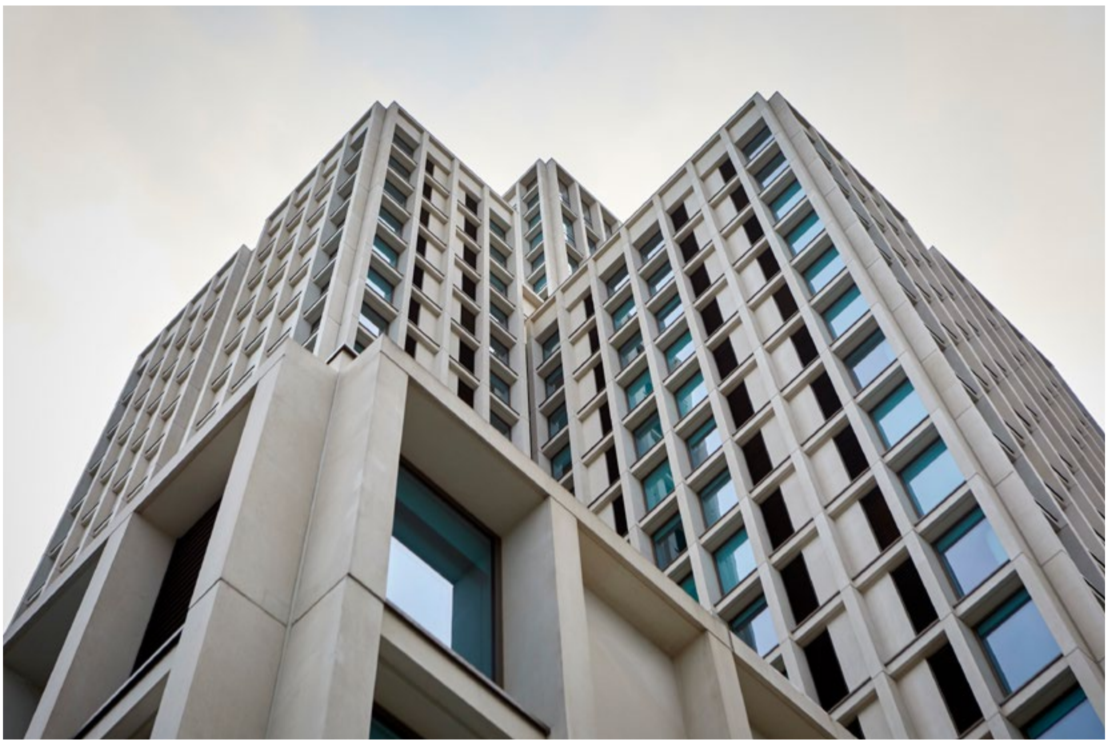
GOVERNANCE

Board and Committee Performance Evaluation

The Code recommends that an evaluation of the effectiveness of the Board and its Committees should be undertaken externally every three years and internally in the intervening years.

The Group commits to carrying out an evaluation of the Board in the coming year. The evaluation will examine the Board/ Committee structure; conduct of meetings; corporate strategy and planning; governance; risk management and internal controls; financial planning; measuring and monitoring performance; and investor relations.

In addition to the Board Governance architecture, corporate governance is also embedded across the Group with the following Group committees established to oversee specific areas and activities: Audit and Risk Committee, Remuneration Committee and Investment Committee. Each of the committees has terms of reference detailing their roles and responsibilities and these are reviewed by the Board annually. The Board is represented on each of these committees and the committees provide regular reporting to the Board on their activities. Whilst these committees may provide advice and make recommendations to the Board in respect of any areas within their remit, it remains the responsibility of the Board to agree and approve any action required.



Remuneration Committee

(a committee of UPP REIT Holdings Limited) is Chaired by Rob McClatchey (Chairman)

The committee has met seven times this year and all members are supplied in advance with appropriate, clear and accurate information covering matters which are to be considered. The remuneration strategy of the Group, including the balance between fixed and performance related, immediate and deferred remuneration, within the context of the Group's strategic objectives and risk appetite.

The committee reviews and makes recommendations to the Board on the total compensation package of each of the Group's directors and senior executives and may be assisted in this process by external consultants. The committee makes recommendations to the Board in respect of share awards and, where relevant, associated performance conditions.

Audit and Risk Committee

(a committee of UPP Group Holdings Limited) is Chaired by Rob McClatchey (Chairman)

The Committee has met seven times this year and all members are supplied in advance with appropriate, clear and accurate information covering matters which are to be considered.

The committee monitors the integrity of the financial reporting, reporting to the Board on any significant financial reporting issues or judgements contained therein.
The committee reviews the adequacy and effectiveness of the Group's internal controls and risk management practices implemented by management to effectively identify, assess, manage and control financial risks.
The committee oversees the relationship with the external auditor.

Investment Committee

(a committee of UPP Group Limited) is Chaired by Sean O'Shea (Vice-Chairman)

The Committee has met nine times this year and all members are supplied in advance with appropriate, clear and accurate information covering matters which are to be considered.

The committee is responsible for scrutinising and challenging the business cases underpinning proposed transactions, sanctioning both the costs and commercial conditions relating to all significant investment across the Group.

GOVERNANCE

Roles of the Board, Chairman and Chief Executive Officer

The Board is collectively responsible for directing and supervising the management, business and affairs of the Group and for enhancing long-term shareholder value. The Board has overall responsibility for establishing high standards of business conduct and behaviour, managing risks and ensuring that internal controls are implemented to meet ongoing compliance with applicable legislation, rules and codes.

The roles of the Chairman and Chief Executive Officer are distinct and separate with a clear division of responsibilities, which are set out in writing. The Chairman is primarily responsible for the leadership of the Board and for creating the conditions for overall Board and individual director effectiveness.

The Chairman ensures that all directors actively participate in Board and committee meetings and effectively contribute their skills and experience to inform discussions and shape the Group's strategic direction.

The Chief Executive Officer has overall responsibility for leading the development and execution of the Group's strategy, for implementing the decisions of the Board and for managing the day-to-day operations of the Group within the appetite and strategy set by the Board.

The Board reviews and approves the Group's overall strategy, business plan and budget, and monitors the performance of the Group and management against the goals and objectives it has set. Comprehensive performance reporting, including variances from plans and forecasts, is provided to the Board on a quarterly basis. Results are reported against budget and the prior year performance, and forecasts for the current financial year are revised from time to time when actual performance makes it appropriate to do so.

GOVERNANCE

Risk management and internal control

The Board has overall responsibility for monitoring the Group's system of internal control and risk management and for carrying out a review of its effectiveness. In discharging that responsibility, the Board confirms that it has established the procedures necessary to apply the provisions of the Code, including clear operating procedures, lines of responsibility and delegated authority. These procedures are regularly reviewed by the Board. Business performance is managed closely, and the Board and the Group Executive Team have established processes, as part of the normal good management of the business.

The Board is supported by the Audit and Risk Committee which is responsible for overseeing the effectiveness of risk management and internal control systems and regularly assess the principal risks facing the Group.

The Committee has reviewed the work undertaken by management on the assessment of the Group's principal risks, including their impact on the prospects of the Group. The Group's system of internal controls, along with its design and operating effectiveness, is subject to review by the Committee, through reports received from the Group, along with those from both the Internal and External Auditors. Any control deficiencies identified will be followed up with action plans tracked by the Committee.

The Committee intends to keep the risk management and internal control systems under review and to support the Board in carrying out an annual review of their effectiveness. Policies and procedures, including clearly defined levels of delegated authority, have been communicated across the Group. Internal controls have been implemented in respect of the key operational and financial processes which exist within the business.

GOVERNANCE

Risk management process

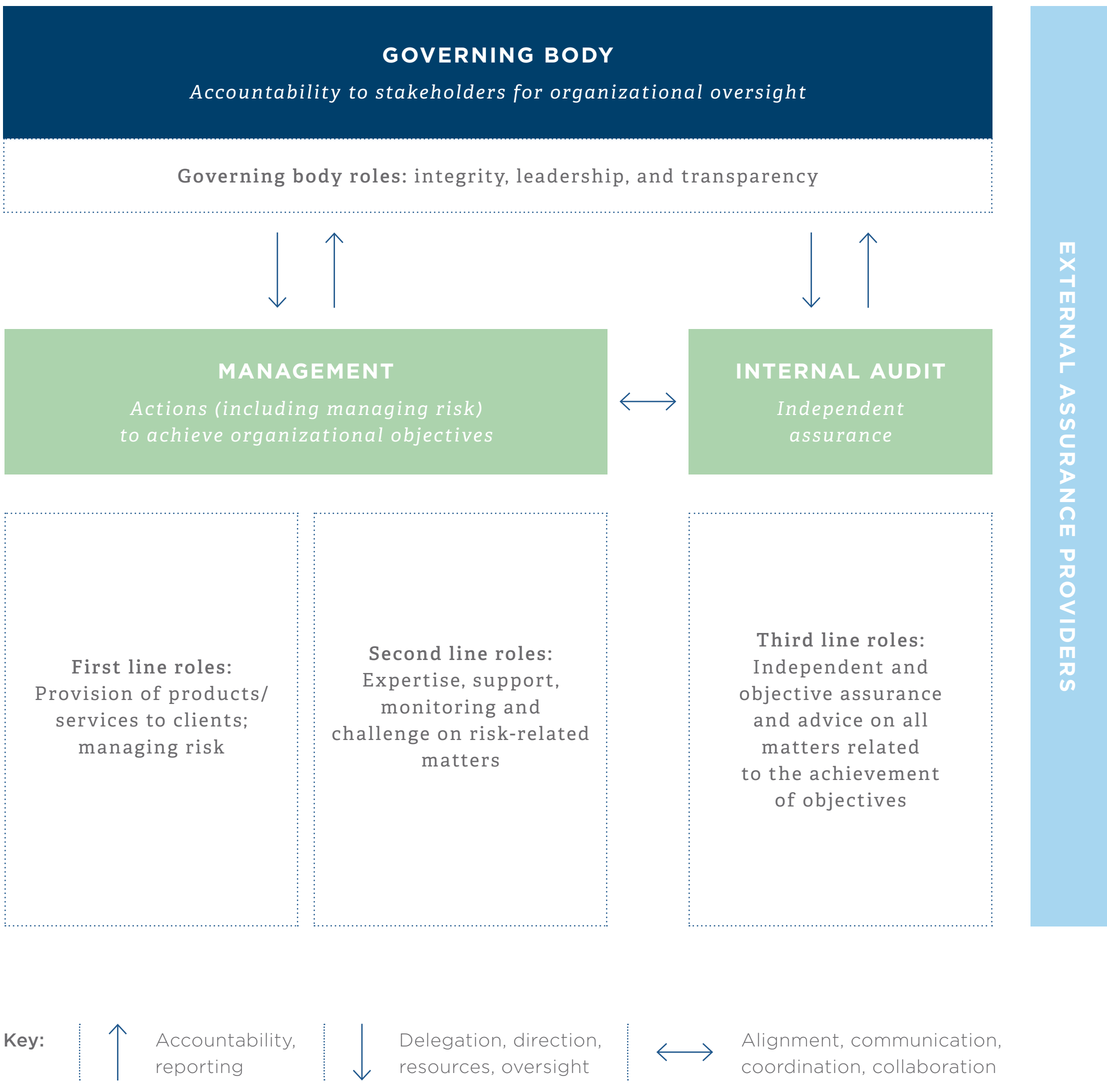
The Group's risk management processes are embedded in each division/function to facilitate updates to key risks during the year. Risk Registers have been substantially simplified, reduced in size and re-worked to make them more user-friendly and to ensure focus is on key risk items, but in more depth and detail than previously identified.

The Group's principal risk management systems comprise a top ten risk register, strategic risk register and accompanying live risk register. The aim of this is to clarify accountability for the operation of the controls to manage these risks and improve the breadth of risk management activity undertaken. Specific control owners are appointed to review and update the mitigation for the live risks. Risk registers are also maintained at subsidiary company and functional level, including for each operational site, with reviews at appropriate levels including Boards and Committees.

The Group Executive Leadership Team receives regular updates on the risk management process and the key risks including:

- risk description;
- current assessment of likelihood and impact (assessed over a number of risk impacts including financial, regulatory, reputation and customer risk);
- the ongoing controls or mitigation activity in place; and
- planned future mitigation activity with owners and completion dates

The IIA's Three Lines Model



The Audit Committee receives regular updates on the risk management process in place and also undertakes regular reviews of the key risks, as identified and assessed by management through the above process. The Audit Committee also reviews summaries of the work undertaken by the Internal Audit team, which has a risk-based annual plan of assurance reviews.

Internal audit

Internal audit plays a key role in providing independent assessment and challenge of the governance, risk and internal control frameworks. A key objective of the internal audit function through its assurance and investigation activities, is to safeguard value by protecting UPP's assets, reputation and sustainability in relation to the organisation's objectives. In 2014 UPP introduced a co-sourced internal audit function with BDO LLP to bring its governance and assurance arrangements into line with industry best practice.

The Group's Internal Audit function focuses on performing a programme of reviews of processes and controls implemented across the Group. Internal Audit plans focus on key strategic risk areas, and internal audit has been tasked with providing more value enhancing and business-oriented insight as well as continuing to identify areas requiring improvement. Internal Audit findings are presented to the relevant Executive Leadership team member, the Director of Corporate Governance and the Chief Financial Officer for review. The Committee is responsible for overseeing the work of the Internal Audit function.

Conflicts of interest

Under the Company's Articles of Association, the Board may authorise any actual or potential conflicts of interest that may arise and impose limits or conditions as appropriate. Each Director provides the Company Secretary with information regarding any actual or potential interests that may conflict with those of the Group, such as other external directorships, and any other potential interests that each thinks may cause a conflict requiring prior Board authorisation on an annual basis. If the circumstances of any of these disclosed interests change, the relevant Director is required to advise the Company Secretary promptly.

Any decision of the Board to authorise a conflict of interest, whether matter-specific or situational, is only effective if it is agreed without the participation of the conflicted Director(s) in the decision, and in making such a decision, as always, the Directors must act in a way they consider in good faith will be most likely to promote the success of the Group. The Group has established a procedure whereby actual or potential conflicts of interest are registered. These are reviewed annually by the Board to ensure that the authorisation granted to the Directors, and any conditions attached to them, are appropriate for the relevant matter to remain authorised and the appropriate authorisation is sought prior to the appointment of any new Director or if a new conflict arises.

Whistleblowing

The Group has adopted procedures by which all employees may, in confidence, report any concerns. The Whistleblowing Policy sets out the ethical standards expected of all persons to whom the policy legally applies and includes the procedure for raising concerns in strict confidence. Employees are encouraged in the first instance to talk to their line manager or contact the central HR team directly. However, in circumstances when this is not possible or is inappropriate the Group has provided an independent, external whistleblowing hotline for the reporting of any such matters on a named or anonymous basis. All reports are treated in strictest confidence and investigations are overseen by the Group HR Director and Director of Corporate Governance as appropriate, to ensure that a thorough, fair and transparent process is undertaken, and any actions addressed.

Succession planning

The Group continues to review the leadership talent pipeline and succession plans for the Board, and senior management and the designated short-term caretakers for each Board and senior role, focusing on resolving key areas of vulnerability. The Group takes an active interest in the quality and development of talent and capabilities, ensuring that appropriate opportunities are in place to develop high-performing individuals.

GOVERNANCE

Stakeholder relations

UPP invests in and seeks to understand the needs and expectations of its Shareholders and Investors. Shareholders have directly appointed four directors to the Board to act as shareholder representatives and these directors are the primary mechanism through which UPP communicates with its shareholders. Shareholders representatives and the Executive Leadership Team meet on a regular basis to discuss strategically important business issues.

The Group seeks to engage with debt investors as part of its wider Investor Relations Strategy and via its well-established Investor Centre. Members of the Executive Leadership team meet with individual investors on a regular basis to provide non-market sensitive updates, as well as when seeking to procure new tranches of debt. UPP also engage directly with current and prospective investors via its in-house Asset Finance Team who have proved successful in their proactive initiatives in generating an increase in the number of institutional investors active in the market.

The Group has a dedicated investor inbox (investor.relations@upp-ltd.com) to ensure investors can contact the Executive Directors and ask any questions they may have.

UPP has an active media and social media presence which seeks to keep wider stakeholder groups informed on the its progress. In addition to the wider HE sector, policy-making bodies and Government, this includes engagement with the communities within which we operate and whose number compose a significant proportion of our employees.

UPP has good relations with the national financial press and other relevant publications and utilises opportunities.

GOVERNANCE

Environmental, Social and Governance

At UPP, we have adopted a dual track approach to ESG. This involves the development of a Group strategy, purposefully designed to deliver to the targets arrived at as a result of its risk appetite and materiality assessment, and an external strategy, reporting against the Global Real Estate Sustainability Benchmark (GRSB) as a means to measure our ESG performance and progress against our peers.

Our ESG strategy

During the financial year, we launched our refreshed ESG strategy with a new vision and targets. We have established an internal ESG hub to ensure our ESG activities across the business are effectively captured and evidenced. Progress toward achieving these targets are tracked and reported on quarterly at Board meetings.

Our long-term commitment to UK HE is mirrored in our approach to ESG. Our business model is designed to help universities make more effective and efficient use of their estates and other physical assets; our partnerships generate value which universities can use to focus on core areas of provision such as teaching, research and the wider experience of students; which in turn enables them to be more effective and sustainable over the long term.

Our ESG Vision:

Our ESG Vision is underpinned by four key principles:

- To develop and operate safe, secure and affordable student accommodation in a responsible way
- To act in the long-term interests of our employees, our partners and their students, and our shareholders
- To respect the environment and positively contribute to the communities within which we work
- To provide thought leadership to the higher education sector

Environment:

We recognise that our business activities inevitably have an impact on natural capital.

In response, we are preserving and enhancing our stock of renewable and non-renewable resources, designing out waste from our product cycle and minimising the risks associated with finite raw materials.

We are stimulating innovation and creating sustainable long-term growth and new employment opportunities.

During the year we have revised and updated our Sustainability Policy which is available on our corporate website.

Sustainable operation:

Supply chain and human rights – We are committed to high levels of transparency and expect the highest standards of responsible business practice across our supply chain.

Products and Services – Through our accommodation and services we are committed to delivering social and environmental value as well as creating economic growth.

Digital Transformation – We invest in digital transformation to drive smart forms of economic growth; reduce the impact we have on natural resources and lower our energy use.

Stakeholder Collaboration – We take informed decisions whilst being transparent and accountable to stakeholders and we co-create innovative approaches for generating commercial value, better relationships and increasing trust with wider society.

Communities:

Health and Wellbeing – We believe in the value of developing a healthier, happier and more engaged workforce to drive sustainable performance, productivity and improved resilience to benefit UPP, our employees and customers.

Education – We believe that every student, particularly those facing social disadvantage, should have the opportunity to reach their potential in education and lead a fulfilling working life. We advocate that businesses should work in partnership with education, to enable schools and wider education institutions to help children embed skills and make the transition into the jobs and society of the future.

Diversity and Inclusion – We believe that the career paths of our people – their prospects and progression – are independent of their personal characteristics, background and circumstances. We are actively building a diverse and inclusive workforce and realising the value of growing our own pipeline of talent.

Governance and leadership:

Decision Making – We base our investment decisions on long-term commercial and environmental sustainability principles.

Future Generations – We are committed to developing the next generation of responsible future leaders.

Purpose and Values – We are intent on increasing our ability to be a genuine force for positive change – by creating competitive advantage, meeting changing customer needs and attracting and retaining great people.

Governance and transparency – We are actively seeking to increase trust in our business and enhance the belief of our stakeholders and partners that our business is a force for good.

Policy Engagement – Our belief is that societal problems are resolved more effectively through policy dialogue and multi-sector partnerships as they generate innovation, play to each partner's strengths and enable scalability of solutions. UPP is a long-standing partner of the Higher Education Policy Institute (HEPI), the UK's leading independent think tank devoted to higher education. UPP is also a supporter of The Higher Education Commission, an independent body made up of leaders from the education sector, the business community and the major political parties. The Commission examines higher education policy, holds evidence-based inquiries and produces written reports with recommendations for policymakers.

Global Real Estate Sustainability Benchmark

GRESB is an investor driven, global ESG benchmark and reporting framework assessing the performance of infrastructure funds and assets. The benchmark includes more than 1,200 property companies, real estate investment trusts (REITs), funds, and developers. The annual framework validates, scores and benchmarks ESG performance information to the benefit of the Group, our Shareholders and the wider market using a global industry standard.

We recognise that there is an ever-increasing focus on how businesses impact on society and the environment and that investors are looking to measure the ESG performance of the companies in which they are investing. Participation in GRESB, therefore provides external validation and assurance, demonstrates to Shareholders and Investors that their money is being invested responsibly, but it also helps us understand how we are performing against similar companies.

GRESB assessments take detailed look at our ESG performance and scores us against a broad range of criteria which include energy, waste, greenhouse gas emissions, health and safety, environment, risk management, reporting and stakeholder engagement. These scores are then benchmarked against over 400 other companies and assigned to a peer group, based on the type of business activity and location, which allows investors to make a comparison.

—

UPP REIT Holdings Limited Consolidated Financial Statements

For the year ended 31 August 2020

Photo credit: Robert Greshoff

Directors' report

The Directors present their report for the year ended 31 August 2020.

Principal activity

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

Corporate information

The principal legislation under which the Company operates is the Companies (Jersey) Law 1991. The Company is tax resident in the United Kingdom and therefore operates under UK tax laws.

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 for at least the next 12 months and accordingly the financial statements have been prepared on a going concern basis. For more information refer to note 2.2

Financial risk management objectives and policies

The Group's financial risk management objectives and policies are considered to be of strategic significance and are therefore detailed in the Strategic Report on pages 4 to 8.

Dividend

The directors do not propose the payment of a dividend.

Directors and their interests

The Directors holding office during the year ended 31 August 2020 and subsequently are:

Richard A. Bienfait	resigned on 31 January 2020
Irina Frolova	–
Henry Gervaise-Jones	–
Elaine Hewitt	appointed on 7 April 2020
Jingshen Hu	–
Hendrik L. Huizing	–
Robert S. McClatchey	–
Andrew Wilkie	–

At 31 August 2020 two of the previous directors held a beneficial interest in the 'B' ordinary shares of the wholly owned subsidiary company, UPP Group Limited. Also, another two Company's directors and seven other directors held a beneficial interest in the 'C' ordinary shares of the wholly owned subsidiary company, UPP Group Holdings Limited. These shares hold no dividend or voting rights.

At 31 August 2020, other than the interest noted above, none of the directors had any beneficial interests in the shares of the company or in any of the subsidiary companies.

Statement of Directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB) as endorsed by the EU and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with Companies (Jersey) Law, 1991. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company; and
- so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information; and
- the strategic report includes a fair review of the development and performance of the business and the position of the issuer, together with a description of the principal risks and uncertainties that they face.

Qualifying third party indemnity

The directors are protected by Directors and Officers Liability Insurance provided by the Company.

Independent auditors

KPMG LLP was appointed as auditor of the Company during the year in accordance with section 113 of the Companies (Jersey) Law 1991

Signed in accordance with a resolution of the Directors;

By order of the Board

Henry Gervaise-Jones
Director

Independent auditor's report to the members of UPP REIT Holdings Limited

1. Our opinion is unmodified

We have audited the consolidated financial statements of UPP REIT Holdings Limited ("the Company") and its subsidiaries (together "the Group"), which comprise the consolidated statement of financial position as at 31 August 2020, the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Group as at 31 August 2020, and of the Group's financial performance and cash flows for the year then ended;
- are prepared in accordance with international Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU); and
- have been properly prepared in accordance with the Companies (Jersey) Law 1991.

Basis for opinion

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

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

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

	The risk	Our response
Impairment of principal assets arising from service concession arrangements ("SCAs") Service concession arrangements – intangible assets (£1,623 million; 2019: £1,586 million) Service concession arrangements – financial assets (£143 million; 2019: £103 million) *Refer to page 86 (accounting policy), page 118 and page 126 (financial disclosures)*	**Subjective assessment** **Service concession arrangements – intangible assets** Management performed an annual assessment of whether there are any indications of impairment for each asset. Fair value less costs of disposal for 16 legacy SCAs were estimated by an external valuer JLL, as these assets were carried as property, plant and equipment at revalued amount at the subsidiary level. The valuation was used by management in its impairment assessment. Whereas, for the remaining 6 SCAs, management assessed whether there is any indication of impairment by using internal cash flow forecasts. The key estimates made by JLL in their valuation and by management in their internal cash flow forecasts in the impairment assessment relate to the estimated occupancy rates, income growth rates and discount rates. The estimates are subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows. **Service concession arrangements – Financial assets** For service concession arrangements that recognises financial assets, management assessed the expected credit loss ("ECL") that should be recognised. Management applied a methodology that uses a combination of review of the Group's historical collection, financial information of university partners, external data, and adjusted for current market conditions. The key estimates made by management in determining the expected credit loss in relation to financial assets relates to estimating the probability of default of the university partners, which is subjective due to the inherent uncertainty involved	**Service concession arrangements – intangible assets** With the assistance of our own valuation specialists, our procedures included: • **Our sector experience:** Evaluated assumptions used in determining indications of impairment, in particular those relating to occupancy rates, rental rates, and macro-economic factors; • **Benchmarking assumptions:** Compared the group's assumptions to externally derived data in relation to key inputs such as projected economic growth, cost inflation and yield rates; • **Sensitivity analysis:** Performed breakeven analysis on the assumptions noted above; • **Independent reperformance:** Re-performed the calculation of recoverable amount independently with our own model **Service concession arrangements – Financial assets** Our procedures included: • **Our sector experience:** Challenged the key assumptions relating to the probability of default of the university partners used in the ECL assessment using our knowledge of recent impairment experience in this industry. • **Historical comparison:** Assessed the key assumptions used in the ECL model, being the probability of default against the Group's historical experience; and • **Test of detail:** Tested a sample of the collection of receivables subsequent to year end to bank statements.

Photo credit: Robert Greshoff

	The risk	Our response
Presentation of principal assets arising from service concession arrangements Service concession arrangements – intangible assets (£1,624 million; 2019: £1,586 million) Service concession arrangements – financial assets (£143 million; 2019: £109 million) *Refer to page 86 (accounting policy), page 118 and page 126 (financial disclosures)*	**Accounting application** The accounting treatment of service concession arrangements (SCAs) is considered a complex area for the audit. The individual nature of each project means that a key factor in the assessment of the accounting treatment are assumptions which involve significant levels of judgement. We considered this area a key audit matter and significant risk due to the magnitude of the amounts involved, as well as due to the complexities of the application of relevant financial reporting standards and of the management judgment, including determine if arrangement is in scope of IFRIC 12, determine the accounting model to apply, determine the accounting treatment for construction/operation phase, and other application issues.	**Our procedures included:** • **Accounting analysis:** On all SCAs, assessed the appropriateness of judgements underpinning the accounting treatments for different models accompanied by inspection of service concession agreements; • **Testing application:** Performed tests on the application of accounting treatment in accordance with the recognition and measurement requirements of IFRIC 12; and • **Assessing transparency:** Assessed whether the group's disclosures detailing accounting policy adequately disclose the complex accounting treatment of different models.

	The risk	Our response
Valuation of derivative financial instruments and hedge accounting Derivative financial assets of £1 million (2019: £0 million) Derivative financial liabilities of £181 million (2019: £211 million) *Refer to page 93 (accounting policy) and page 130 (financial disclosures)*	**Subjective valuation and quality of disclosure** The Group entered into derivative financial instruments, being RPI swaps, to manage its exposure to RPI. The RPI swaps were valued at 31 August 2020 by an external valuer, Chatham Financial (previously JC Rathbone Associates). The valuations of the swaps are based on market movements that can fluctuate in the year. The Group also incorporates credit valuation adjustments to appropriately reflect both its own non-performance risk and the respective counterparty's non-performance risk in the fair value measurements of the swaps, which are subjective in nature. Given the diversity in valuation methodology applied, significant judgement Is involved in assessing whether the methodology used is compliant with IFRS. The effect of these matters is that, as part of our risk assessment, we determined that the valuation of derivative financial instruments has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole.	**Our procedures included:** With the assistance of our own valuation specialists, our procedures included: • **Assessing valuer's credentials:** We assessed the competence and capabilities of Chatham Financial (the external valuers) by considering their qualifications and market experience. • **Methodology choice:** We considered a nd critically assessed the methodologies applied in the current year and prior year; • **Accounting treatment assessment:** We reviewed management's assessment of whether the change in the approach to credit value adjustments is the correction of an error, a change in accounting estimate or a change in accounting policy in accordance with the requirements of IFRS, and whether it is disclosed correctly in the financial statement; and • **Independent reperformance:** Our specialists performed independent valuation of the swaps using independent market data such as Monte Carlo simulation with 10,000 scenarios.

	The risk	Our response
	Subjective valuation and quality of disclosure (continued) **Accounting application** The Group has chosen to apply hedge accounting for all hedging instruments which are in a qualifying hedging relationship in accordance with accounting requirement. To qualify for hedge accounting, the hedging strategy must be documented with respect to each hedge. 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 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 the accounting standard. There is a risk that the derivatives do not meet the requirements of accounting standards for hedge accounting application.	**Our procedures included (continued):** • **Accounting analysis:** Our specialists reviewed management's hedge documentation of whether the hedge instrument meet the requirement in accordance with the requirement of IFRS. • **Assessing transparency:** We assessed the adequacy of the Group's disclosure about the degree of estimation involved in arriving at the valuation of the derivatives and hedge accounting as well as the adequacy of the Group's disclosure relating to the presentation of the prior year adjustment in relation to the derivative financial instruments reflecting the current year valuation methodology.

	The risk	Our response
Going concern *Refer to page 57 (Director's Report), page 83 (accounting policy).*	**Disclosure quality** The financial statements explain how the Board has formed a judgement that it is appropriate to adopt the going concern basis of preparation for the Group. That judgement is based on an evaluation of the inherent risks to the Group's business model and how those risks might affect the Group's financial resources or ability to continue operations, taking into account all available information about the future, which covers a period of at least a year from the date of approval of the financial statements but is not limited to that period. The risks most likely to adversely affect the Group's available financial resources in the future relate to the impact of the Covid-19 pandemic on the group companies, include the following: • **Reduction in collection from University Partners affecting the Group's ability to meet the interest and capital repayments to the financial institutions and bond investors; and** • **Ability to comply with loan covenants that are based on debt service cover ratios of the group companies.**	**Service concession arrangements – intangible assets** We considered whether these risks could plausibly affect the liquidity or covenant compliance in the going concern period by assessing the directors' sensitivities over the level of available financial resources and covenant thresholds indicated by the Group's financial forecasts taking account of severe, but plausible, adverse effects that could arise from these risks individually and collectively. **Our procedures included:** • **Our sector knowledge:** We tested the integrity of the cash flow projections and considered the appropriateness of key assumptions used in preparing those projections such as occupancy rates and rent collections. We considered the Group's financial forecast of a plausible downside scenario taking account the impact of Covid-19 and the corresponding impact on compliance with financial covenants; • **Funding assessment:** We reviewed the prospectus and agreements in relation to the loans and borrowings, to understand key terms and financial covenant. We compared them to the directors' forecasts and assumptions for ongoing covenant compliance and available headroom;

The risk	Our response
Disclosure quality (continued) The risk for our audit was whether or not these risks were such that they amounted to a material that may have cast significant doubt about the ability to continue as a going concern. Had they been such, then that fact would have required to have been disclosed.	**Service concession arrangements – intangible assets (continued)** **Our procedures included:** • **Historical comparisons:** We assessed the reasonableness of the cash flow projections by considering the historical accuracy of the previous forecasts; • **Sensitivity analysis:** We considered sensitivities over the level of available financial resources indicated by the Group's financial forecasts taking account of reasonably plausible (but not unrealistic) adverse effects that could arise from these risks individually and collectively, such as further reduction in rent collections from university partners, occupancy rates and pricing, an increase in operating costs, and gradual recovery in relation to these factors following lockdown as a result of Covid-19. • **Assessing transparency:** We considered the completeness and accuracy of the matters covered in the going concern disclosures and assessed whether they reflect the position of the Group's financing and the risks associated with the Group's ability to continue as a going concern.

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

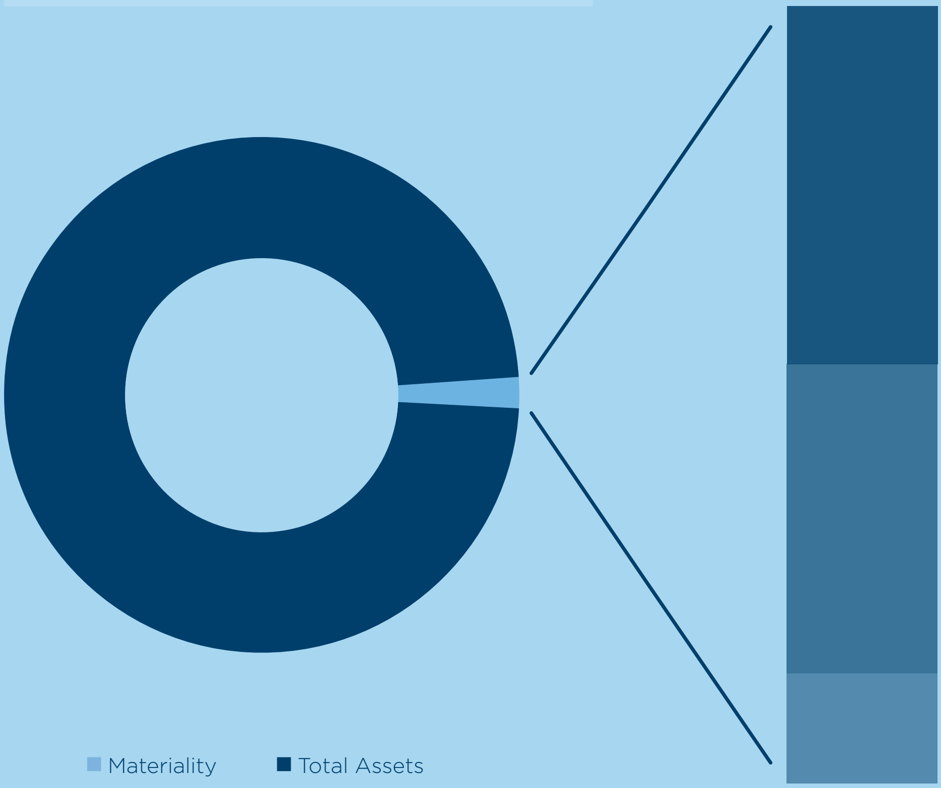
Materiality for the consolidated financial statements as a whole was set at £21.2m, determined with reference to a benchmark of Total Assets, of which it represents 1.0%.

We reported to the Audit Committee any corrected and uncorrected identified misstatements exceeding £1.1m, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Group was undertaken to the materiality level specified above, which has informed our identification of significant risks of material misstatement and the associated audit procedures performed in those areas as detailed above.

The Group team performed the audit of the Group as if it was a single aggregated set of financial information. The audit was performed using the materiality levels set out above and covered 100% of total group revenue, group profit before tax and total group assets.

Total Assets	Group Materiality
£2,088.5m	£21.2m



4. We have nothing to report on going concern

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

In our evaluation of the directors' conclusions, we considered the inherent risks to the Group's activities including where relevant the impact of the COVID-19 pandemic and the requirements of the applicable financial reporting framework. We analysed how those risks might affect the Group's financial resources or ability to continue operations over the going concern period, including challenging the underlying data and key assumptions used to make the assessment, and evaluated the directors' plans for future actions in relation to their going concern assessment.

Based on this work, we are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the consolidated financial statements. We have nothing to report in these respects.

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

The directors are responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

6. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies (Jersey) Law 1991 we are required to report to you if, in our opinion:

- proper accounting records have not been kept by the Company, or
- proper returns adequate for our audit have not been received from branches not visited by us; or
- the Group's accounts are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.


Eleanor
Rosa
House

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 58 the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

8. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Craig Steven-Jennings

(Senior Statutory Auditor)

for and on behalf of KPMG LLP,
Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
17 February 2021

Consolidated statement of profit or loss

For the year ended 31 August 2020

	Notes	**Year ended 31 August 2020 £'000**	Restated Year ended 31 August 2019 £'000
Rental and other income	9	**254,302**	258,068
Cost of sales		**(129,601)**	(143,673)
Gross profit		**124,701**	**114,395**
Operating expenses	10	**(68,462)**	(64,065)
Operating profit		**56,239**	**50,330**
Finance income	4, 14	**15,097**	**4,199**
Senior financing interest		**(70,084)**	(69,137)
Other interest payable and similar charges		**(6,776)**	(4,813)
Finance cost total	4, 15	**(76,860)**	**(73,950)**
Loss on ordinary activities before taxation		**(5,524)**	**(19,421)**
Tax on loss on ordinary activities	16	**(201)**	-
Loss for the financial year		**(5,725)**	**(19,421)**
Loss for the financial year attributable to:			
Non-controlling interests		**(734)**	(709)
Owners of the parent		**(4,991)**	(18,712)
Loss for the financial year		**(5,725)**	**(19,421)**

*Restated – during the financial year the Group has made several restatements of prior period. For further information refer to note 4.

The above results all relate to continuing operations.

The notes on pages 81 to 158 form part of these financial statements.


Photo credit: Robert Greshoff

Consolidated statement of other comprehensive income

For the year ended 31 August 2020

	Note	Year ended 31 August 2020 £'000	Restated Year ended 31 August 2019 £'000
Loss for the financial year		**(5,725)**	(19,421)
Items that will not be reclassified to profit and loss			
Actuarial gain / (loss) relating to pension scheme	30	**(238)**	(323)
		(238)	(323)
Items that are or may be reclassified subsequently to profit and loss			
Fair value movements on swaps	25	**26,835**	(48,536)
		26,835	(48,536)
Total other comprehensive income for the year		**26,597**	(48,859)
Total comprehensive loss for the period		**20,872**	(68,280)
Other comprehensive income for the year attributable to:			
Non-controlling interests		**454**	(908)
Owners of the parent		**26,143**	(47,951)
Total		**26,597**	(48,859)

Consolidated statement of other comprehensive income (continued)

Total other comprehensive income for the year attributable to:		
Non-controlling interests	(280)	(1,617)
Owners of the parent	21,152	(66,663)
Total	**20,872**	**(68,280)**

Loss per share (in GBP)		
Basic	(4.9)	(18.4)
Diluted	(4.9)	(18.4)

*Restated – during the financial year the Group has made several restatements of prior period. For further information refer to note 4.

The notes on pages 81 to 158 form part of these financial statements.

Consolidated statement of financial position

As at 31 August 2020

	Note	**31 August 2020 £'000**	Restated 31 August 2019 £'000	Restated 1 September 2018 £'000
Assets				
Non-current assets				
Property, plant and equipment	19	**1,969**	1,533	1,522
Service concession arrangements – intangible assets	17	**1,624,505**	1,586,509	1,492,771
Service concession arrangements – financial assets	4, 23	**143,363**	108,598	107,041
Other intangible assets	4, 18	**116,820**	110,244	111,566
Financial assets	4	**1,704**	3,205	4,519
Derivative financial assets	4, 25	**965**	-	-
Total non-current assets		**1,889,326**	**1,810,089**	**1,717,419**
Current assets				
Trade and other receivables	21	**11,404**	7,897	13,141
Financial assets		**1,500**	1,314	1,148
Cash at bank and in hand	37	**188,075**	231,351	207,781
Total current assets		**200,979**	**240,562**	**222,070**
Total assets		**2,090,305**	**2,050,651**	**1,939,489**
Equity and liabilities				
Liabilities				
Non-current liabilities				
Borrowings	24	**1,762,630**	1,711,968	1,599,773
Derivative financial instruments	4, 25	**180,598**	210,628	159,084
Employee benefit obligations	30	**2,177**	1,882	1,495
Total non-current liabilities		**1,945,405**	**1,924,478**	**1,760,352**

Consolidated statement of financial position (continued)

	Note	**31 August 2020 £'000**	Restated 31 August 2019 £'000	Restated 1 September 2018 £'000
Current liabilities				
Borrowings	24	**39,087**	34,817	30,749
Trade and other payables	22	**14,828**	16,939	19,679
Accrual and deferred income	22	**36,046**	46,353	39,188
Provisions	27	**215**	143	126
Total current liabilities		**90,176**	**98,252**	**89,742**
Total liabilities		**2,035,581**	**2,022,730**	**1,850,094**
Equity				
Called-up share capital	28	**1,032**	1,032	1,000
Share premium account		**473,485**	473,485	458,767
Capital reserves		**23,428**	23,428	23,285
Cash flow hedge reserve	4	**(173,713)**	(200,094)	(152,466)
Revaluation reserve		**-**	-	-
Retained earnings	4	**(254,359)**	(255,061)	(227,939)
Equity attributable to owners of the Parent Company		**69,873**	**42,790**	**102,647**
Non-controlling interest	4	**(15,149)**	(14,869)	(13,252)
Total equity		**54,724**	**27,921**	**89,395**

*Restated – during the financial year the Group has made several restatements of prior period.
For further information refer to note 4.

The notes on pages 81 to 158 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board on 17 February 2021 and were signed on its behalf by:

Henry Gervaise-Jones
Director

Consolidated statement of changes in equity

For the year ended 31 August 2020

		Attributable to equity holders of the parent company								
		Share capital	Share premium	Capital reserve	Cash flow hedge reserve	Revaluation reserve	Retained earnings	**Shareholders' equity**	Non-controlling interest	**Total equity**
	Note	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**	£'000	**£'000**
At 1 September 2018		**1,000**	**458,767**	**23,285**	**(105,987)**	**19,167**	**(244,421)**	**151,811**	**(12,377)**	**139,434**
Restatement	4	-	-	-	(46,479)	(19,167)	16,482	**(49,164)**	(875)	**(50,039)**
At 1 September 2018 restated		**1,000**	**458,767**	**23,285**	**(152,466)**	**-**	**(227,939)**	**102,647**	**(13,252)**	**89,395**
Loss for the financial period		-	-	-	-	-	(18,712)	**(18,712)**	(709)	**(19,421)**
Other comprehensive loss		-	-	-	(47,628)	-	(323)	**(47,951)**	(908)	**(48,859)**
Total comprehensive loss		-	-	-	**(47,628)**	**-**	**(19,035)**	**(66,663)**	**(1,617)**	**(68,280)**
New shares issued		32	14,718	-	-	-	-	**14,750**	-	**14,750**
Capital contributions		-	-	143	-	-	-	**143**	-	**143**
Equity-settled share-based payments		-	-	-	-	-	(87)	**(87)**	-	**(87)**
Transactions with owners										
Dividends paid		-	-	-	-		(8,000)	**(8,000)**	-	**(8,000)**
At 31 August 2019 restated		**1,032**	**473,485**	**23,428**	**(200,094)**	**-**	**(255,061)**	**42,790**	**(14,869)**	**27,921**
At 1 September 2019 restated		**1,032**	**473,485**	**23,428**	**(200,094)**	**-**	**(255,061)**	**42,790**	**(14,869)**	**27,921**
Loss for the financial period		-	-	-	-	-	(4,991)	**(4,991)**	(734)	**(5,725)**
Other comprehensive income		-	-	-	26,381	-	(238)	**26,143**	454	**26,597**
Total comprehensive income		**-**	**-**	**-**	**26,381**	**-**	**(5,229)**	**21,152**	**(280)**	**20,872**
Reversal of goodwill impairment		-	-	-	-	-	5,987	**5,987**	**-**	**5,987**
Equity-settled share-based payments	32	-	-	-	-	-	(56)	**(56)**	**-**	**(56)**
Transactions with owners										
Dividends paid		-	-	-	-	-	-	**-**	**-**	**-**
At 31 August 2020		**1,032**	**473,485**	**23,428**	**(173,713)**	**-**	**(254,359)**	**69,873**	**(15,149)**	**54,724**

The notes on pages 81 to 158 form part of these financial statements.

Consolidated statement of cash flows

For the year ended 31 August 2020

	Note	**Year ended 31 August 2020**	Restated Year ended 31 August 2019
		£'000	£'000
Loss for the financial year		**(5,725)**	**(19,421)**
Adjustments for:			
Tax on loss on ordinary activities	16	**201**	-
Net interest expense	14, 15	**61,764**	69,751
Amortisation of service concession arrangements	17	**36,091**	35,341
Depreciation	19	**1,721**	314
Goodwill impairment		**-**	1,996
Amortisation of computer software	18	**386**	146
		94,438	**88,127**
Increase in provisions for dilapidations	27	**72**	16
(Increase) / decrease in debtors due within one year		**(3,506)**	5,244
Increase / (decrease) in creditors due within one year		**(12,098)**	4,277
Net cash inflow from operating activities		**78,906**	**97,664**

Investing activities			
Interest received		**2,755**	4,199
Payments for intangible fixed assets		**(975)**	(820)
Payments for concession arrangements		**(108,575)**	(132,461)
Payments to acquire tangible fixed assets		**(1,308)**	(325)
Net cash flow used in investing activities		**(108,103)**	**(129,407)**

Consolidated statement of cash flows (continued)

	Note	**Year ended 31 August 2020 £'000**	Restated Year ended 31 August 2019 £'000
Financing activities			
New debt drawn		**63,812**	123,354
Repayment of senior debt		**(10,180)**	(11,026)
Repayment of fixed rate debt		**(6,958)**	(4,008)
Repayment of index-linked debt		**(17,751)**	(9,144)
Interest paid		**(50,367)**	(52,656)
Dividends paid		**-**	(8,000)
Lease payments		**(603)**	-
Interest received on finance receivables		**7,968**	2,043
Issue of share capital		**-**	14,750
Net cash flow from / (used in) financing activities		**(14,079)**	**55,313**
Increase / (decrease) in cash and cash equivalents		**(43,276)**	**23,570**
Cash and cash equivalents at 1 September	37	**231,351**	**207,781**
Cash and cash equivalents at 31 August	37	**188,075**	**231,351**

*Restated – during the financial year the Group has made several restatements of prior period. For further information refer to note 4.

The notes on pages 81 to 158 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board on 17 February 2021 and were signed on its behalf by:

Henry Gervaise-Jones
Director

Notes to the financial statements

For the year ended 31 August 2020

1. General information

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 Partnerships Programme ('UPP').

The consolidated financial statements of UPP REIT Holdings Limited and its subsidiaries (the Group) for the year ended 31 August 2020 were authorised for issue in accordance with a resolution of the Directors on 31 January 2021. 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 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 the University Partnerships Programme.

2. Accounting policies

2.1. Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) as endorsed by the EU 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 7).

The Group elected not to present Company's financial statements.

2.2. Going concern

Notwithstanding a consolidated loss of £5,725k for the year ended 31 August 2020, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

In preparing these financial statements, the Directors have considered the impacts of the COVID-19 pandemic on the ability of the Group to continue as a going concern by preparing a cash flow forecast through to 31 August 2022, modelling a severe but plausible downside scenario which demonstrates that the Group and each individual subsidiary of the Group are expected to have sufficient liquidity to meet its liabilities as they fall due over the period of 12 months from the date of approval of the financial statements.

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

For the 2020/21 academic year the group has secured sufficient lettings to remain compliant with funding covenants. The Directors anticipate that the Group's University counterparties will meet their payment obligations as they fall due even in the severe plausible downside and, as a result, revenue risk for the 2020/21 year remains low. The Directors consider that the Group's costs are reasonably controllable and while there are likely to be increased costs arising from changes to the operating practices to respond to Covid-19, these may be offset by cost savings elsewhere and are not sufficient to threaten the viability of the business.

The Directors believe that the fundamentals of the market for student accommodation remain supportive to the long-term success of the business and while Covid-19 and similar risks have the potential to impact upon future years, the Group, universities, the Government and the public are likely to be better prepared for such events such that the impact is less severe than it was in 2020.

On this basis, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being a period of not less than twelve months from the date of approval of these financial statements, and therefore have prepared the financial statements on a going concern basis.

2.3. Basis of consolidation

The Group financial statements consolidate the financial statements of UPP REIT Holdings Limited and its subsidiary undertaking using the business combination under common control method from the date control passes to the Group. All subsidiaries have a reporting date of 31 August besides UPP (Lancaster) Holdings Limited with a reporting date of 30 September.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a Group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

2.4. Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at the acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. All contingent consideration is measured at fair value with the changes in fair value in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests) and any previous interest held, over the net identifiable assets acquired and liabilities assumed. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

2.5. Investments in subsidiaries

Investments in subsidiaries are measured at cost less accumulated impairment.

2.6. Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.7. Intangible assets (except service concession arrangements)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any.

The useful lives of intangible assets are assessed as either finite or indefinite. The Group does not have intangible assets with indefinite useful life. Intangible assets with finite lives are amortised on a straight-line basis over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category consistent with the function of the intangible assets.

The economic useful life of software intangible assets is 3-5 years. The economic useful life of intangible assets relating to service concession arrangement is in line with the term of each service concession.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

2.8. Property, plant and equipment

Property, plant and equipment are stated at historical cost or valuation, less accumulated depreciation and any provisions for impairment. Historical cost includes all attributable expenditure including borrowing costs incurred during construction, calculated as a proportion of total finance costs based on the number of rooms in construction over the total number of rooms.

Depreciation is calculated on straight-line basis, so as to write off the cost of the 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 3 to 10 years for fixtures and fittings.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss within other income or other expenses.

2.9. Service concession arrangements

The Group contracts with public benefit bodies to construct (or upgrade) student accommodation and operates and maintains the infrastructure asset for a specified period of time, often for its entire useful life. The Group recognises its agreements with universities as service concession arrangements. The consideration received may result in the recognition of a financial asset or an intangible asset.

The Group recognises a financial asset if it has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor in return for constructing or upgrading the public sector asset and then operating and maintaining the asset for the specified period of time. This category includes guarantees by the universities to pay for any shortfall between amounts received from the users of the public service and specified or determinable amount.

An intangible asset is measured at the fair value of consideration transferred to acquire the asset, which is the fair value of the consideration received or receivable for the construction services delivered. The intangible asset is amortised over its expected useful life on a straight-line basis.

The Group recognises an intangible asset if it receives only a right to charge for the use of the public sector asset that it constructs or upgrades and then must operate and maintain for a specified period of time. A right to charge users is not an unconditional right to receive cash because the amounts are contingent on the extent to which the public uses the service.

In the financial asset model, the amount due from the grantor meets the definition of a receivable which is measured initially at fair value. It is subsequently measured at amortised cost. The amount initially recognised plus the cumulative interest on that amount is calculated using the effective interest rate (EIR) method. Any asset carried under concession arrangements is derecognised on disposal or when no future economic benefits are expected from its future use or disposal or when the contractual rights to the financial asset expire.

Incremental costs incurred as a result of obtaining a contract are capitalised as part of the cost of respective assets, including construction work in progress and intangible assets if these costs are expected to be recovered. Costs that are incurred regardless of whether the contract is obtained, including costs that are incremental to trying to obtain a contract are expensed as they are incurred unless they meet the criteria to be capitalised as fulfilment costs.

Costs incurred to fulfil a contract with a customer are capitalised as part of the cost of respective assets, including construction work in progress and intangible assets, that meet the following criteria:

- they relate directly to an existing contract or specific anticipated contract;
- they generate or enhance resources of the entity that will be used to satisfy the performance obligations in the future; and
- they are expected to be recovered.

2.10. Leases

The Group has applied IFRS16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS17.

Policy applicable from 1 September 2019

At inception of the contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use, and
- the Group has the right to direct the use of an asset.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings, in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the commencement date. The right-of-use is initially measured at cost, which comprises the amount of the initial measurement of the lease liability adjusted for:

- any lease payments made at or before the commencement date,
- less any lease incentives received,
- any initial direct costs incurred by the lessee; and
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located.

The right-of-use asset is subsequently depreciated using straight-line method from the commencement date to the earlier of the end of the useful life of the right-to-use asset or the end of the lease term. The estimated useful lives or right-to-use assets are determined on the same basis as those of property and equipment. The right-of-use asset is assessed for impairment as per note 2.14.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in index or rate, if there is a change in the Group's estimate of the amount expected to be payable under residual value guarantee, or if the Group changes its assessment of whether it will exercise purchase, extension or termination option.

The Group presents right-of-use assets in Property, plant and equipment and lease liabilities in Borrowings in the consolidated statement of financial position.

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Policy applicable before 1 September 2019

The Group is leasing a property under operating lease. Operating lease payments were recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

2.11. Revenue

Student accommodation rental income

The Group manages student accommodation under service concession followed by a period in which the Group maintains and services the infrastructure. These concession arrangements set out rights and obligations related to the infrastructure and the service to be provided

Rental income generated from service concession arrangements comprises direct lets to students and leases to Universities and commercial tenants.

Performance obligations that relate to rental revenue is an operating and maintenance activity in respect of concession assets that covers following activities:

- provide the services to ensure that the accommodation is always available during each academic year,
- provide alternative accommodation whenever a need for it may arise.

Included in the rental contract is the use of broadband facilities, shared kitchens and communal areas. The Group does not offer these services as stand-alone products. The Group does not consider these services to be individually material and has, consequently, bundled these obligations as a single contract.

As set out above, the right to consideration gives rise to an intangible asset, or financial asset:

Intangible asset

- Revenue from the concession arrangements earned under the intangible asset model consists of the fair value of contract revenue, which is deemed to be fair value of consideration transferred to acquire the asset and payments actually received from the users. Construction revenue is receivable during the construction phase of the contract and rental income from student accommodation is receivable during the operational phase of the contract.
- Construction revenue is recognised by reference to the stage of completion of the contract activity at the year end. In applying the percentage of completion method, revenue recognised corresponds to the total contract revenue multiplied by the actual completion rate based on the total contract costs incurred to date and the estimated costs to complete.
- Rental income receivable during the operational phase of the contract is recognised on a straight-line basis over the rental period.

Financial asset

- Revenue from the concession arrangements earned under the financial asset model falls under IFRS 9 Financial instruments and consists of the (i) fair value of the amount due from the grantor and (ii) interest income related to the capital investment in the project.

- During the construction phase, fair value of amount due from grantor represents the cost arising on the construction of the asset plus a margin that is negligible.
- Interest income is measured using the effective-interest method and recorded when the asset is set up during construction as well as during the operational phase of the contract.

Construction services

Performance obligations that relate to the construction revenue is a construction activity in respect of its obligations to design, build and finance a new asset that it hands over to the grantor that covers following activities:

- design, construction, completion, commissioning and testing of the works,
- appoint the construction contractor under the construction contract,
- develop and finalise the design and specification of the works,
- undertake routine repair and maintenance of the property and assets up to when it is fully constructed.

Revenue in respect of fees chargeable to universities for development is recognised as the contract progresses. The revenue recognised reflects the proportion of the work carried out at the balance sheet date measured based on costs incurred to date as a proportion of total budgeted costs.

The Group considers the various stages of Construction as described above and deem that the services being offered by the entity are a series of distinct goods or services as described in IFRS 15. These services meet the criteria of being a performance obligation satisfied over time and the same method is used to measure the entity's progress towards complete satisfaction of the performance obligation to transfer each distinct service.

Revenue on construction is recognised at cost with no margin as profitability is considered to be negligible with no interim services provided during construction and the risk fully passed down to the building contractor. If it is expected that the development will result in a loss, all of the loss is recognised when foreseen.

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, or financial asset, in exchange for construction services. The operator measures the intangible asset initially at cost, being the amount of the contract asset recognised during the construction phase in accordance with IFRS 15.

Facility management services

For facilities management services that are not covered under service concession arrangements a separate contract is signed between the Group and the University. The contract sets out the service level agreements on the activities performed by the Group in order to fulfil the contract requirements.

Performance obligations that relate to the facilities management services revenue is student accommodation management that covers following activities:

- management and administration
- resident's satisfaction
- response and reactive maintenance
- general building (including residence maintenance)
- cleaning
- waste disposal
- management of the provision of energy of utilities
- provision of security services
- utilities monitoring

The services being offered by the Group are considered to be a series of distinct goods or services. The Group evaluates the promise to provide facilities management services for a specified contract term and the same measure of progress towards complete satisfaction of the performance obligation is used. This is because the Group is providing the same service of 'student accommodation management' each period. As a conclusion the Group identifies one performance obligation identified in the contract. Turnover in respect of facility management services provided to entities outside of the Group is recognised on the basis of the amount receivable in respect of the rental period.

Management and development

Performance obligations that relate to the management and development revenue is a construction related activity to carry out a ground, physical, geophysical, environmental and archaeological investigation and to inspect and examine the property and its surroundings in order to commence construction work. It also covers initial development of the design and specification of the works.

Revenue in respect of fees chargeable to universities for management and development is recognised as the contract progresses. The revenue recognised reflects the proportion of the work carried out at the balance sheet date measured based on costs incurred to date as a proportion of total budgeted costs.

The Group considers the services offered by the entity as a series of distinct goods or services as described in IFRS 15. These services meet the criteria of being a performance obligation satisfied over time and the same method is used to measure the entity's progress towards complete satisfaction of the performance obligation to transfer each distinct service.

Revenue on management and development is recognised at cost with no margin as profitability is considered to be negligible. If it is expected that the development will result in a loss, all of the loss is recognised when foreseen.

2.12. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Trade receivables are recognised initially when they are originated.

All other financial assets and liabilities are recognised initially on the trade date at which the Group0 becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is trade receivable without a significant financing component) or financial liability is initially measured at fair value plus or minus; for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at transaction price.

On initial recognition, a financial asset is measured at amortised cost, financial assets at fair value through profit or loss; or fair value through other comprehensive income.

The subsequent measurement of financial assets depends on their classification as described below:

Financial assets at amortised cost are the financial asset held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortised cost using the EIR method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

This category generally applies to trade and other receivables and also to service concession financial assets.

Financial assets at fair value through other comprehensive income are the financial assets held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income. However, the Group may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in a hedge relationship. Financial assets at fair value through profit or loss are measured at fair value and changes therein, including any interest or dividend income, are recognised in profit or loss. The Group has not designated any financial assets upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss or financial liabilities subsequently measured at amortised cost. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly-attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings and derivative financial instruments. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement, and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. The effect of derecognition of financial liabilities is recognised in retained earnings. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Impairment of financial assets

The Group assesses expected credit losses at each reporting date. A loss allowance is calculated as follows:

- 12-month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date), or
- lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument). A loss allowance for lifetime expected credit losses is calculated for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition.

For financial assets carried at amortised cost, the Group assesses whether expected credit loss exists individually for financial assets that are individually significant. Expected losses are discounted to the reporting date using the EIR of the asset (or an approximation thereof) that was determined at initial recognition.

When determining whether the credit risk of a financial asset and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of profit or loss.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases the previously recognised impairment loss is increased or decreased by adjusting the allowance account.

2.13. Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group has entered into inflation-linked swaps (RPI swaps) and interest rate swaps (IR swaps) with external parties to manage its exposure to changes in inflation and the London Inter-bank Offered Rate (LIBOR) rates respectively.

Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income (OCI) and later reclassified to profit or loss when the hedged item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment (except for foreign currency risk)
- Cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction
- Hedges of a net investment in a foreign operation

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they have been highly-effective throughout the financial reporting periods for which they were designated.

The Group has not designated any derivatives as fair-value hedges or hedges of a net investment in a foreign operation.

Cash flow hedges

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. IR swaps are held to manage the LIBOR rate exposures of the senior bank debt by swapping the LIBOR-linked interest payments for fixed-rate interest payments. Inflation swaps are held to manage the Group's exposure to changes in RPI. The Group's net rental income from student accommodation is exposed to the RPI changes. The swap contracts manage the exposure to RPI by swapping RPI annual rate changes with a fixed rate.

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss as other operating expenses. The ineffective portion relating to RPI swaps is recognised in revenue and the ineffective portion relating to IR swaps is recognised in finance costs

Amounts recognised as OCI are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast revenue occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in equity is transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in OCI remains separately in equity until the forecast transaction occurs.

2.14. Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit (CGU)'s fair value less costs of disposal and its value in use. It is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount

Impairment losses of continuing operations are recognised in the statement of profit or loss in those expense categories consistent with the function of the impaired asset.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU is less than their carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

2.15. Cash and cash equivalents

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

2.16. Finance costs

Financing costs, comprising interest payable on loans, secured and unsecured notes and the costs incurred in connection with the arrangement of borrowings are recognised in profit or loss using the EIR 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 the change in fair value of hedging instruments that are recognised in profit or loss.

2.17. 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, including service concession arrangement assets. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.18. Taxation

Income tax on the profit for the year comprises current and deferred tax. Current tax is the tax payable on the taxable income for the year and any adjustment in respect of previous years. Deferred tax is provided in full using the balance sheet liability method on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the asset is realised or the liability is settled. No provision is made for temporary differences:

- arising on the initial recognition of assets or liabilities, other than on a business combination, that affect neither accounting nor taxable profit and
- relating to investments in subsidiaries to the extent that they will not reverse in the foreseeable future.

2.19. 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.

2.20. Defined benefit pension plan

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

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

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

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

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

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

2.21. Long-term incentive scheme

The Group operates a long-term incentive scheme for certain employees within the Group. The amount of any awards receivable by the employees will depend on the results of the entity and the overall growth of the business over a period of ten years. In certain circumstances a specific event can trigger an earlier payment. Amounts representing the associated employment expense are included in the profit and loss account.

2.22. Share-based payments

The Group also introduced in 2018 a long-term incentive plan that covers cash-settled share-based payments as well as cash benefits. Accounting policies in relation to the incentive plan are summarised below.

A liability is recognised for the fair value of cash-settled transactions. The fair value is measured initially and at each reporting date up to and including the settlement date, with changes in fair value recognised in employee benefits expense. The fair value is expensed over the period until the vesting date with recognition of a corresponding liability.

The amount recognised as an expense is adjusted to reflect the number of awards for which the related service is expected to be met.

2.23. Long-term incentive cash payments

The Group's obligation with respect to long-term employee benefits is calculated as the amount of future benefits that employees have earned in return for their service. This amount is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

3. Impact of new accounting standards and changes in accounting policies

IFRS 16 Leases became effective on 1 January 2019. A key change arising from IFRS 16 is that lessees are required to recognise a lease liability reflecting future lease payments and a right-of-use asset for lease contracts, subject to exceptions for short-term leases and leases of low-value assets. The application of IFRS 16 did not result in a significant impact on lease recognition within the consolidated financial statements. For more information refer to note 20.

4. Restatements of prior periods

Current and non-current financial assets

On 1 September 2019 the Group changed its accounting policy for the recognition of current and non-current financial assets. In the past, the group presented service concession arrangements – financial assets as current assets in accordance with IAS 1. This was done based on management's assessment that these assets represent the Group's normal operating cycle. Management has changed the accounting policy to recognise amounts expected to be recovered after more than 12 months, as non-current assets. Management believes that this change provides more reliable and relevant information about the expected recoverability of Group's financial assets.

The change is applied to both current period and prior period comparative amounts presented (i.e. retrospectively). The change does not impact opening reserves or equity presentation.

The change resulted in reclassification of service concession arrangements – financial assets from current to non-current assets in the amount of £101,817k as at 31 August 2020 (£102,502k as at 31 August 2019 and £102,962k as at 1 September 2018).

Derivatives valuation adjustment

During the financial year ended 31 August 2020 the Directors adjusted fair value of derivatives presented in prior periods for the effect of the entity's own non-performance risk and that of the respective counterparty's non-performance risk.

In prior periods the Group performed the calibration of standard valuation models on inception for each derivative to determine an initial spread that calibrated the model to zero on the trade date. The initial spread was held constant and added to market interest and inflation curves at each year end.

In the current year 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 any applicable credit enhancements, such as collateral postings, thresholds, mutual puts, and guarantees.

The impact of the change has been presented below.

Effective interest rate calculation for one financial asset

During the financial year ended 31 August 2020 the Group's management have revised estimated cash flows used for effective interest rate calculation for one of the financial assets. The impact of the change has been presented below.

Presentation of one financial asset

During the financial year ended 31 August 2020 the Group's management have identified that one of the financial assets does not meet the definition of service concession arrangement and decided to present it in separate line in consolidated statement of financial position. The impact of the change has been presented below.

Revaluation reserve restatement

During the financial year ended 31 August 2020 the Group's management assessed that the amounts presented in revaluation reserve in the statement of changes in equity should have been presented in retained earnings and therefore reclassified the amount to retained earnings as at 1 September 2018. The impact of the change has been presented below.

Restatement of prior periods – Consolidated statement of profit or loss and OCI

For the year ended 31 August 2019

	As previously reported	Derivative valuation adjustment	As restated
	£'000	£'000	£'000
Senior financing interest	(69,823)	686	(69,137)
Other interest payable & similar charges	(3,193)	(1,620)	(4,813)
Finance cost total	**(73,016)**	**(934)**	**(73,950)**
Loss on ordinary activities before taxation	**(18,487)**	**(934)**	**(19,421)**
Fair value movements on swaps	(57,502)	8,966	(48,536)
Total other comprehensive profit for the year	(57,825)	**8,966**	**(48,859)**
Total comprehensive profit/(loss) for the year	(76,312)	**8,032**	**(68,280)**
Other comprehensive income for the year attributable to:			
Non-controlling interests	(915)	7	(908)
Owners of the parent	(56,910)	8,959	(47,951)
Total	**(57,825)**	**8,966**	**(48,859)**
Total other comprehensive income for the year attributable to:			
Non-controlling interests	(1,624)	7	(1,617)
Owners of the parent	(74,688)	8,025	(66,663)
Total	(76,312)	**8,032**	**(68,280)**
Loss per share (in GBP)			
Basic	(17.5)		(18.4)
Diluted	(17.5)		(18.4)

Restatement of prior periods – Consolidated statement of financial position

As at 1 September 2018

	As previously reported	Current and non-current classification	Derivatives valuation adjustment	Effective interest rate calculation for financial asset	Presentation of a financial asset	Revaluation reserve restatement	As restated
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Assets							
Non-current assets							
Service concession arrangements – Financial assets							
Financial assets	-	102,113	-	9,447	(4,519)	-	107,041
Derivative financial assets	-	-	-	-	4,519	-	4,519
Total non-current assets	33,524	-	(33,524)	-	-	-	-
Transactions with owners	1,639,383	102,113	(33,524)	**9,447**	**-**	**-**	**1,717,419**
Current assets							
Service concession arrangements – Financial assets	103,261	(102,113)	-	-	(1,148)	-	-
Financial assets	-	-	-	-	1,148	-	1,148
Total current assets	**324,183**	**(102,113)**	**-**	**-**	**0**	**-**	**222,070**
Total assets	**1,963,566**	**-**	**(33,524)**	**9,447**	**0**	**-**	**1,939,489**
Liabilities							
Non-current liabilities							
Derivative financial instruments	133,122	-	25,962	-	-	-	159,084
Total non-current liabilities	**1,734,390**	**-**	**25,962**	**-**	**-**	**-**	**1,760,352**
Total liabilities	**1,824,132**	**-**	**25,962**	**-**	**-**	**-**	**1,850,094**
Equity							
Cash flow hedge reserve	(105,987)	-	(46,479)	-	-	-	(152,466)
Revaluation reserve	19,167	-	-	-	-	(19,167)	-
Retained earnings	(244,421)	-	(12,132)	9,447	-	19,167	(227,939)
Equity attributable to owners of the parent company	**151,811**	**-**	**(58,611)**	**9,447**	**-**	**-**	**102,647**
Non-controlling interest	**(12,377)**	**-**	**(875)**	**-**	**-**	**-**	**(13,252)**
Total equity	**139,434**	**-**	**(59,486)**	**9,447**	**-**	**-**	**89,395**

Restatement of prior periods – Consolidated statement of financial position

As at 1 September 2019

	As previously reported	Current and non-current classification	Derivatives valuation adjustment	Effective interest rate calculation for financial asset	Presentation of a financial asset	Revaluation reserve restatement	As restated
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Assets							
Non-current assets							
Service concession arrangements – Financial assets	-	101,670	-	10,133	(3,205)	-	108,598
Financial assets	-	-	-	-	3,205	-	3,205
Derivative financial assets	22,297	-	(22,297)	-	-	-	-
Total non-current assets	1,720,583	101,670	(22,297)	**10,133**	**-**	**-**	**1,810,089**
Current assets							
Service concession arrangements – Financial assets	102,984	(101,670)	-	-	(1,314)	-	-
Financial assets	-	-	-	-	1,314	-	1,314
Total current assets	**342,232**	**(101,670)**	**-**	**-**	**-**	**-**	**240,562**
Total assets	**2,062,815**	**-**	**(22,297)**	**10,133**	**-**	**-**	**2,050,651**
Liabilities							
Non-current liabilities							
Derivative financial instruments	180,785	-	29,843	-	-	-	210,628
Total non-current liabilities	**1,894,635**	**-**	**29,843**	**-**	**-**	**-**	**1,924,478**
Total liabilities	**1,992,887**	**-**	**29,843**	**-**	**-**	**-**	**2,022,730**
Equity							
Cash flow hedge reserve	(162,574)	-	(37,520)	-	-	-	(200,094)
Revaluation reserve	19,167	-	-	-	-	(19,167)	-
Retained earnings	(270,609)	-	(13,753)	10,133	-	19,167	(255,061)
Equity attributable to owners of the parent company	**83,929**	**-**	**(51,272)**	**10,133**	**-**	**-**	**42,790**
Non-controlling interest	**(14,001)**	**-**	**(868)**	**-**	**-**	**-**	**(14,869)**
Total equity	**69,928**	**-**	**(52,140)**	**10,133**	**-**	**-**	**27,921**

5. Early adoption of Amendments to IFRS 9, IAS 39 and IFRS 7

In July 2017, the Financial Conduct Authority in the UK (FCA), the governing body responsible for regulating LIBOR, announced that it will no longer compel or persuade the panel banks to make LIBOR submissions after 2021. As LIBOR is calculated based on the rates submitted by the panel banks, the declaration by FCA is expected to result in LIBOR ceasing to be a reliable benchmark.

Market participants have noted a number of potential accounting and tax issues that may arise as a result of the transition to risk-free rates (RFRs), including those related to the areas of the recognition and derecognition of assets and liabilities, the measurement of assets and liabilities and hedge accounting.

In September 2019 The International Accounting Standards Board (IASB) published Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) that highlights potential effects the IBOR reform could have on financial reporting. The amendments have been endorsed by the EU as of 16th January 2020. The Group has chosen to early adopt the exemptions permitted by the amendments to IFRS 7 and IFRS 9.

The amendments are relevant to the Group given that it applies hedge accounting to its benchmark interest rate exposures. The Group has floating rate debt, linked to GBP LIBOR, which it cash flow hedges using interest rate swaps. The amendments permit continuation of hedge accounting even though there is uncertainty about the timing and amount of the hedged cash flows due to the interest rate benchmark reforms.

The Group will retain the cumulative gain or loss in the cash flow hedge reserve for designated cash flow hedges that are subject to interest rate benchmark reforms even though there is uncertainty arising from the interest rate benchmark reform with respect to the timing and amount of the cash flows of the hedged items. Should the Group consider the hedged future cash flows are no longer expected to occur due to reasons other than interest rate benchmark reform, the cumulative gain or loss will be immediately reclassified to profit or loss.

The impact and relevant disclosures of the above amendments has been presented in note 25.

The Group has early adopted the above amendments in previous financial year.

6. Impact of accounting standards and interpretations in issue but not yet effective

At the balance sheet date there are a number of new standards and amendments to existing standards in issue but not yet effective. The Group has not early-adopted the new or amended standards in preparing these consolidated financial statements.

Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendments apply for annual reporting periods beginning on or after 1 January 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other components of equity, as appropriate. The comparatives are not restated. The Group has determined that all contracts existing at 31 December 2020 will be completed before the amendments become effective.

Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The amendments address issues that might affect financial reporting as a result of the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments provide practical relief from certain requirements in IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to:

- changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities; and
- hedge accounting.

Change in basis for determining cash flows

The amendments will require an entity to account for a change in the basis for determining the contractual cash flows of a financial asset or financial liability that is required by interest rate benchmark reform by updating the effective interest rate of the financial asset or financial liability.

At 31 August 2020, the Group has £926,967k LIBOR secured bank loans that will be subject to LIBOR reform. The Group expects that the interest rate benchmark for these loans will be changed to SONIA in 2021 and that no significant modification gain or loss will arise as a result of applying the amendments to these changes.

Hedge accounting

The amendments provide exceptions to the hedge accounting requirements in the following areas.

- Allow amendment of the designation of a hedging relationship to reflect changes that are required by the reform.
- When a hedged item in a cash flow hedge is amended to reflect the changes that are required by the reform, the amount accumulated in the cash flow hedge reserve will be deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.
- When a group of items is designated as a hedged item and an item in the group is amended to reflect the changes that are required by the reform, the hedged items are allocated to subgroups based on the benchmark rates being hedged.
- If an entity reasonably expects that an alternative benchmark rate will be separately identifiable within a period of 24 months, it is not prohibited from designating the rate as a non-contractually specified risk component if it is not separately identifiable at the designation date.

At 31 August 2020, the Group has cash flow hedges of sterling LIBOR risk. The Group expects that indexation of the hedged items and hedging instruments to sterling LIBOR will be replaced with SONIA in 2021. Whenever the replacement occurs, the Group expects to apply the amendments related to hedge accounting. However, there is uncertainty about when and how replacement may occur. When the change occurs to the hedged item or the hedging instrument, the Group will remeasure the cumulative change in fair value of the hedged item or the fair value of the interest rate swap, respectively, based on SONIA. Hedging relationships may experience hedge ineffectiveness if there is a timing or other mismatch between the transition of the hedged item and that of the hedging instrument to SONIA. The Group does not expect that amounts accumulated in the cash flow hedge reserve will be immediately reclassified to profit or loss because of IBOR transition.

Disclosure

The amendments will require the Group to disclose additional information about the entity's exposure to risks arising from interest rate benchmark reform and related risk management activities.

7. 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:

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 valuation adjustments to appropriately reflect both its own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements.

During the financial year the Group's management have revised approach to determine impact of non-performance risk including entity's own risk on fair value of derivatives. For further information refer to note 4.

In adjusting the fair value of its derivative contracts for the effect of nonperformance risk, the Group has considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts, and guarantees.

The Group has used a third-party expert to assist with valuing derivative instruments. For further information on the estimation uncertainty at the end of the reporting period refer to note 39.1.

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 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.

An impairment loss recognised for all assets is reversed in a subsequent period only if the reasons for the impairment loss have ceased to apply. For further information on the estimation uncertainty at the end of the reporting period refer to note 17 and note 18.

Estimates 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. 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. For further information on the estimation uncertainty at the end of the reporting period refer to note 30.

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

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 31 August 2020, 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 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).

8. Segment information

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

- SPVs – performing development, funding, construction and operation of student accommodation under the University Partnerships Programme
- UPP Residential Services Limited (URSL) – providing facilities management services to SPVs
- UPP Projects Limited (UPL) – securing of 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 about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

Transfer prices between operating segments are on an arms-length basis.

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

Other operations include financing and general Group management that is not considered by management as a separate reporting segment.

8. Segment information (continued)

	Note	SPVs	URSL	UPL	Total segments	Adjustments and eliminations	Consolidated
Year ended 31 August 2020		£'000	£'000	£'000	£'000	£'000	£'000
Rental and other income – external		249,764	3,283	1,255	254,302	-	254,302
Rental and other income – internal	A	-	28,477	1,886	30,363	(30,363)	-
Cost of sales	B	(128,755)	(25,816)	(1,973)	(156,544)	26,943	(129,601)
Gross profit		**121,009**	**5,944**	**1,168**	**128,121**	**(3,420)**	**124,701**
Operating expenses	B	(40,962)	(8,257)	(3,269)	(52,488)	(15,974)	(68,462)
Operating profit		**80,047**	**(2,313)**	**(2,101)**	**75,633**	**(19,394)**	**56,239**
Finance income		**14,862**	**-**	**-**	**14,862**	**235**	**15,097**
Senior financing interest		(70,084)	-	-	(70,084)	-	(70,084)
Other interest payable & similar charges	C	(6,776)	-	-	(6,776)	-	(6,776)
Finance cost total		**(76,860)**	**-**	**-**	**(76,860)**	**-**	**(76,860)**
Other operating expenses		-	-	-	-	-	-
Loss on ordinary activities before taxation		**18,049**	**(2,313)**	**(2,101)**	**13,635**	**(19,159)**	**(5,524)**
Tax on loss on ordinary activities		1,636	135	-	1,771	(1,972)	(201)
Loss for the financial year		**19,685**	**(2,178)**	**(2,101)**	**15,406**	**(21,131)**	**(5,725)**
Total assets	D	2,006,750	49,916	2,705	**2,059,371**	30,934	**2,090,305**
Total liabilities	D	2,276,549	32,136	12,555	**2,321,240**	(285,611)	**2,035,629**

8. Segment information (continued)

	Note	SPVs	URSL	UPL	Total segments	Adjustments and eliminations	Consolidated
Year ended 31 August 2019		£'000	£'000	£'000	£'000	£'000	£'000
Rental and other income – external		253,392	4,194	481	258,067	1	258,068
Rental and other income – internal	A	-	25,554	8,500	34,054	(34,054)	-
Cost of sales	B	(143,056)	(24,887)	(3,874)	(171,817)	28,144	(143,673)
Gross profit		**110,336**	**4,861**	**5,107**	**120,304**	**(5,909)**	**114,395**
Operating expenses	B	(41,807)	(4,141)	(3,582)	(49,530)	(14,535)	(64,065)
Operating profit		**68,529**	**720**	**1,525**	**70,774**	**(20,444)**	**50,330**
Finance income		**3,964**	**-**	**-**	**3,964**	**235**	**4,199**
Senior financing interest		(69,137)	-	-	(69,137)	-	(69,137)
Other interest payable & similar charges	C	(4,813)	-	-	(4,813)	-	(4,813)
Finance cost total		**(73,950)**	**-**	**-**	**(73,950)**	**-**	**(73,950)**
Other operating expenses		-	-	-	-	-	-
Loss on ordinary activities before taxation		**(1,457)**	**720**	**1,525**	**788**	**(20,209)**	**(19,421)**
Tax on loss on ordinary activities		2,142	(261)	-	1,881	(1,881)	-
Loss for the financial year		**685**	**459**	**1,525**	**2,669**	**(22,090)**	**(19,421)**
Total assets	D	1,976,221	35,266	1,110	**2,012,597**	38,054	**2,050,651**
Total liabilities	D	2,254,105	16,353	8,858	**2,279,316**	(256,586)	**2,022,730**

8. Segment information (continued)

Notes to the segment information:

A. Rental and other income

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

B. Cost of sales and operating expenses

Adjustments and eliminations represent intercompany transactions that are eliminated on the consolidation level. 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 & 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.

9. 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:

	Year ended 31 August 2020	Year ended 31 August 2019
	£'000	£'000
Student accommodation rental income	**185,083**	172,414
Construction services	**64,681**	80,978
Management and development services	**1,255**	482
Facilities management services	**3,283**	4,194
	254,302	**258,068**

9. Turnover (continued)

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 8).

		SPVs	URSL	UPL	Total segments	Adjustments and eliminations	Consolidated
Year ended 31 August 2020	Note	£'000	£'000	£'000	£'000	£'000	£'000
Student accommodation rental income		185,083	-	-	185,083	-	185,083
Construction services		64,681	-	-	64,681	-	64,681
Management and development services		-	-	1,255	1,255	-	1,255
Management and development services – intragroup		-	-	1,886	1,886	(1,886)	-
Facilities management services		-	3,283	-	3,283	-	3,283
Facilities management services – intragroup		-	28,477	-	28,477	(28,477)	-
Total		**249,764**	**31,760**	**3,141**	**284,665**	**(30,363)**	**254,302**
Revenue as reported in Segments	8	249,764	31,760	3,141	284,665	(30,363)	254,302
Year ended 31 August 2019							
Student accommodation rental income		172,414	-	-	172,414	-	172,414
Construction services		80,978	-	-	80,978	-	80,978
Management and development services		-	-	482	482	-	482
Management and development services – intragroup		-	-	8,499	8,499	(8,499)	-
Facilities management services		-	4,194	-	4,194	-	4,194
Facilities management services – intragroup		-	25,554	-	25,554	(25,554)	-
Total		**253,392**	**29,748**	**8,981**	**292,121**	**(34,053)**	**258,068**
Revenue as reported in Segments	8	253,392	29,748	8,981	292,121	(34,053)	258,068

9. Turnover (continued)

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

	31 August 2020	31 August 2019
Receivables, which are included in 'Trade and other receivables'	**4,274**	4,196
Contract assets, which are included in 'Service Concession Arrangements'	**151,137**	73,810
Contract liabilities which are included in 'Accruals and deferred income'	**(986)**	(2,452)

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 serviced 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.

10. Operating expenses

The operating profit is stated after charging:

Operating expenses	Note	Year ended 31 August 2020 £'000	Year ended 31 August 2019 £'000
Amortisation of service concession arrangements	19	**36,091**	35,341
Salaries and other employee costs recognised in operating expenses		**16,932**	16,997
COVID-19 related costs		**3,137**	-
External consultancy		**1,881**	2,035
Goodwill impairment		**-**	1,996
Insurance		**1,452**	1,794
Office costs		**778**	1,043
Auditor remuneration (audit and non-audit fees)	12	**649**	429
Amortisation of computer software	18	**386**	146
Depreciation		**1,721**	314
Other administrative costs		**5,435**	3,970
		68,462	**64,065**

11. Directors' remuneration

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. Total remuneration in respect of these individuals is as follows:

	Year ended 31 August 2020 £'000	Year ended 31 August 2019 £'000
Emoluments	**543**	426
Social security costs	**76**	341
Company contributions to defined contribution schemes	**8**	5
Compensation for loss of office	**-**	4
	627	**776**

11. Directors' remuneration (continued)

The amounts included above in respect of the highest paid Director are as follows:

	Year ended 31 August 2020	Year ended 31 August 2019
	£'000	£'000
Emoluments	**169**	277
Company contributions to defined contribution schemes	**-**	-
	169	**277**

12. Auditor's remuneration

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. Total remuneration in respect of these individuals is as follows:

	Year ended 31 August 2020	Year ended 31 August 2019
	£'000	£'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**45**	25
Fees payable to the Company's auditor and its associates for other services:		
The audit of the company's subsidiaries pursuant to legislation	**604**	404
	649	**429**

13. Employee information

	2020 Number	2019 Number
The average number of persons employed by the Group during the year was as follows:		
Management and operations	**156**	135
Site managers (full-time)	**77**	21
Administration, maintenance and cleaning (full and part-time)	**688**	671
	921	**827**

13. Employee information (continued)

The employment costs of all employees included above were as follows:

	Year ended 31 August 2020	Year ended 31 August 2019
	£'000	£'000
Wages and salaries	**26,596**	28,985
Social security costs	**3,238**	2,489
Pension costs – defined contribution	**1,413**	2,086
Pension costs – defined benefit	**34**	39
	31,281	**33,599**

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

Long-term Incentivisation Scheme

No payments were made under the long-term incentivisation scheme during the year (2018:£nil).

14. Interest and similar income

	Year ended 31 August 2020	Year ended 31 August 2019
	£'000	£'000
Interest received on cash balances	**950**	995
Interest income on finance receivable	**9,986**	3,204
Finance gain on fair value movements on swaps	**4,161**	-
	15,097	**4,199**

15. Interest and similar expense

	Year ended 31 August 2020	Year ended 31 August 2019
	£'000	£'000
Financial liabilities measured at amortised cost		
Bank loan interest	**22,225**	25,080
Interest payable on senior secured notes	**17,608**	13,592
Interest payable on index-linked facilities	**29,637**	30,250
Subordinated loan note interest	**3,696**	1,983
Interest income on finance receivable	**3,660**	-
Financial liabilities measured at fair value		
Fair value movements on swaps	**-**	3,006
Other charges		
Interest on net defined pension liability	**34**	39
	76,860	**73,950**

Included within the interest payable on index-linked facilities is £16,244k (2019: £16,888k) that relates to the inflation uplift on the index-linked facilities.

16. Tax on loss on ordinary activities

The tax (credit)/ charge is made up as follows:

	Year ended 31 August 2020	Year ended 31 August 2019
	£'000	£'000
Current tax:		
Current tax on income for the year	**(201)**	-
Total current tax credit	**(201)**	**-**
Deferred tax:		
Current year	**-**	-
Total deferred tax	**-**	-
Tax (credit) / charge on loss on ordinary activities	**(201)**	**-**

16. Tax on loss on ordinary activities (continued)

Tax included in the Group statement of total other comprehensive income

	Year ended 31 August 2020	Year ended 31 August 2019
	£'000	£'000
Deferred tax:		
Current year	-	-
Total deferred tax	-	-
Total tax credit	(201)	-

Factors affecting current tax charge/(credit) for the year

The tax assessed for the year is higher (2019: higher) than the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%). The differences are explained below:

	Year ended 31 August 2020	Year ended 31 August 2019
	£'000	£'000
Loss on ordinary activities before tax	(5,524)	(19,421)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19.00% (2018: 19%)	(1,050)	(3,690)
Effects of:		
Adjustment to tax charge in respect of prior year	201	-
Expenses not deductible for tax purposes	21,556	13,960
Non-taxable income	(16,649)	(7,431)
Movement in deferred tax not recognised	-	634
Brought forward losses utilised in the year	(630)	-
Current year losses carried forward	1,611	-
Exempt property rental (profits)/losses in the year	(4,838)	(3,473)
Current tax (credit) / charge for the year	(201)	-

16. Tax on loss on ordinary activities (continued)

Factors that may affect future tax charges

UPP REIT Holdings Limited is a Real Estate Investment Trust. As a result, the Group does not pay 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.

A deferred tax asset of £72,413k (2019: £72,741k) in respect of available tax losses has not been recognised at 31 August 20120. This is due to there being no persuasive and reliable evidence available at this time of suitable profits to offset these losses.

17. Intangible assets – Service Concession Arrangements

2020	Service concession arrangements	Assets in the course of construction	Total
	£'000	£'000	£'000
Cost			
At 1 September 2019	1,616,051	66,472	1,682,523
Additions	-	74,087	74,087
Transfer	-	-	-
At 31 August 2020	**1,616,051**	**140,559**	**1,756,610**
Amortisation			
At 1 September 2019	96,014	-	96,014
Charge during the year	36,091	-	36,091
At 31 August 2020	**132,105**	**-**	**132,105**
Net book value			
At 31 August 2020	**1,483,946**	**140,559**	**1,624,505**
At 31 August 2019	1,520,037	66,472	1,586,509

17. Intangible assets – Service Concession Arrangements (continued)

2019	Service concession arrangements	Assets in the course of construction	Total
	£'000	£'000	£'000
Cost			
At 1 September 2018	1,382,151	171,293	1,553,444
Additions	-	129,079	129,079
Transfer	233,900	(233,900)	-
At 31 August 2019	**1,616,051**	**66,472**	**1,682,523**
Amortisation			
At 1 September 2018	60,673	-	60,673
Charge during the year	35,341	-	35,341
At 31 August 2019	**96,014**	**-**	**96,014**
Net book value			
At 31 August 2019	**1,520,037**	**66,472**	**1,586,509**
At 31 August 2018	1,321,478	171,293	1,492,771

Included in intangible assets are properties being managed under service concession arrangements. Assets under construction are scheduled to become operational in September 2020 and in September 2021. Additions in assets under construction comprise of all the costs incurred for asset construction during the financial year.

Service concession arrangement assets include net finance costs up to the date of completion of £44,213k (2019: £42,287k). An amount of £1,926k (2019: £nil) was capitalised during the year.

The assets under construction were tested for impairment. The impairment assessment was performed in relation to the SPVs as at the reporting date using contractual cash flows and discount rates specific to the SPVs. These calculations have been based on a full year forecast at the point of first full operation, extrapolated over the remaining service concession arrangement period using a 2.5% – 3.5% growth rate. The growth rate reflects basically the projected RPI index. The growth is based on the financial models for the service concession arrangement prepared by the Group based on the agreements made with universities. Management assessed that possible changes in estimates will not result in impairment in the next 12 months.

18. Intangible assets – other

	Computer software	Goodwill	Total
	£'000	£'000	£'000
Cost			
At 1 September 2019	2,281	143,479	145,760
Additions	975	-	975
At 31 August 2020	**3,256**	**143,479**	**146,735**
Amortisation and impairment			
At 1 September 2019	832	34,684	35,516
Amortisation	386	-	386
Impairment adjustment due to prior year error	-	(5,987)	(5,987)
At 31 August 2020	**1,218**	**28,697**	**29,915**
Net book value			
At 31 August 2020	**2,038**	**114,782**	**116,820**
At 31 August 2019	1,449	108,795	110,244
Cost			
At 1 September 2018	1,461	143,479	144,940
Additions	820	-	820
At 31 August 2019	**2,281**	**143,479**	**145,760**
Amortisation and impairment			
At 1 September 2018	686	32,688	33,374
Amortisation	146	-	146
Impairment charge	-	1,996	1,996
At 31 August 2019	**832**	**34,684**	**35,516**
Net book value			
At 31 August 2019	**1,449**	**108,795**	**110,244**
At 31 August 2018	775	110,791	111,566

18. Intangible assets – other (continued)

An amount of £136,259k in goodwill arose on the acquisition of subsidiary undertakings in September 2012 and £7,220k on the acquisition of minority interests in UPP (Alcuin) Limited and UPP (Nottingham) Limited, previously held by the University of York and Nottingham Trent University respectively in March 2013.

The carrying amount of goodwill is allocated to SPV operating segment where the goodwill arose from. The goodwill was tested for impairment at that level as at 31 August 2020. The impairment assessment was performed in relation to the SPVs treated as a single cost generating unit as at the reporting date using contractual cash flows and discount rates specific to the SPVs. These calculations have been based on a full year forecast at the point of first full operation, extrapolated over the remaining service concession arrangement period using a 2.5% – 3.5% growth rate. The growth rate reflects the projected RPI index. The growth is based on the financial models for the service concession arrangement prepared by the Group based on the agreements made with universities. Management assessed that possible changes in estimates will not result in impairment in the next 12 months.

The main assumptions for the financial models are:

- RPI projections that affect net revenue projections at 2.5% – 3.5%.
- Occupancy rate that affects net revenue projected. Current occupancy rate assumed is 98%-100%.

The assumptions are calculated based on historical knowledge and external information relating to the macroeconomic environment and higher education market.

Financial models are reviewed and updated by management on an annual basis and also reviewed against historical performance.

During the financial year, goodwill impairment of £5,987k incorrectly recognised in previous years, was reversed directly to equity rather than profit or loss. Management assessed the reversal as immaterial to Group and has therefore not restated the comparative financial information nor presented disclosures as required by IAS8.

The computer software relates to purchased, as well as internally generated, computer software costs. The computer software is being amortised evenly over its useful life between three to five years.

19. Property, plant and equipment

	Right-of-use Properties	Fixtures and fittings	Total
	£'000	£'000	£'000
Cost or valuation			
At 1 September 2019	849	6,163	7,012
Additions	-	923	923
Right-of-use adjustment	-	-	-
At 31 August 2020	**849**	**7,086**	**7,935**
Depreciation			
At 1 September 2019	-	4,630	4,630
Charge during the year	603	733	1,336
At 31 August 2020	**603**	**5,363**	**5,966**
Net book value			
At 31 August 2020	**246**	**1,723**	**1,969**
At 31 August 2019	-	1,533	1,533

19. Property, plant and equipment (continued)

	Fixtures and fittings	Total
	£'000	£'000
Cost or valuation		
At 1 September 2018	5,838	5,838
Additions	325	325
Disposals	-	-
At 31 August 2019	**6,163**	**6,163**
Depreciation		
At 1 September 2018	4,316	4,316
Charge during the year	314	314
At 31 August 2019	**4,630**	**4,630**
Net book value		
At 31 August 2019	**1,533**	**1,533**
At 31 August 2018	1,522	1,522

20. 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

	Property	Total
Balance at 1 September 2019	849	849
Right-of-use adjustments	(603)	(603)
Depreciation charge	**246**	**246**
Balance at 31 August 2020	849	849

20. Leases (continued)

Lease liabilities maturity analysis – contractual undiscounted cash flows

	31 August 2020
	£'000
Less than one year	175
One to five years	71
Total undiscounted lease liabilities at 31 August	**246**

The lease for one office space run for a period of 10 years and is due to commence in November 2021. The other office lease runs for a period of 5 years. For the lease coming to an end the Group has decided to change its office space. As at the 31 August 2020 the Group has committed to a new lease for its office space that has not yet commenced and therefore is not recognised in lease liability.

Lease liabilities included in the statement of financial position

	31 August 2020
	£'000
Current	175
Non-current	71
	246

Amounts recognised in profit or loss

	Year ended 31 August 2020
	£'000
Interest on lease liabilities	-
Depreciation charge	(603)

Amounts recognised in statements of cash flows

	Year ended 31 August 2020
	£'000
Total cash outflow for leases	(603)

21. Current trade and other receivables

	31 August 2020	31 August 2019
	£'000	£'000
Trade debtors	4,273	4,196
VAT recoverable	1,359	1,170
Prepayments and accrued income	5,772	2,531
	11,404	7,897

22. Current trade and other payables

	31 August 2020	31 August 2019
	£'000	£'000
Trade creditors	13,578	15,664
Amounts owed to related parties	-	230
Other taxes and social security	1,250	1,045
Accruals and deferred income	36,046	46,353
	50,874	63,292

23. Financial assets

	31 August 2020	Restated 31 August 2019
	£'000	£'000
Derivatives designated as hedging instruments		
RPI swaps	**965**	-
Financial assets at amortised cost		
Financial receivables – service concession arrangements	**143,363**	108,598
Financial assets	**3,204**	4,519
Trade and other receivables	**4,273**	4,196
Cash at bank and in hand	**188,075**	231,351
	339,880	**348,664**
Total current	**192,348**	235,547
Total non-current	**147,532**	113,117

Derivatives designated as hedging instruments reflect the positive change in the fair value of interest rate and RPI swap contracts, designated as cash flow hedges to hedge highly-probable revenue changes due to RPI changes and to hedge interest expense changes due to interest rate changes.

Derivatives not designated as hedging instruments reflect the positive change in fair value of those RPI swap contracts, which are not designated in hedge relationship, but are nevertheless intended to reduce the level of revenue changes due to RPI changes.

The service concession arrangement asset includes net finance costs of £ 1,119k (2019: £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.

24. Financial liabilities

	31 August 2020	31 August 2019
	£'000	£'000
Financial liabilities at amortised cost		
Senior secured loan notes	**492,864**	500,285
Senior debt	**552,249**	554,180
Senior index linked debt	**644,330**	581,957
Non-recourse bank debt finance	**80,162**	80,801
Secured subordinated loan notes	**31,745**	29,562
Trade and other payables	**13,578**	15,894
Derivatives designated as hedging instruments		
Interest rate swaps	**163,710**	164,074
RPI swaps	**13,185**	38,691
Derivatives not designated as hedging instruments		
RPI swaps	**3,703**	7,863
	1,995,526	**1,973,307**
Total current	**52,665**	50,711
Total non-current	**1,942,861**	1,922,596

24.1. Interest-bearing loans and borrowings

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.

Senior secured notes

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.

24. Financial liabilities (continued)

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 £67.3 million 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 are scheduled to commence 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 are scheduled to commence 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 are scheduled to commence 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 are scheduled to commence in February 2021.

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 will commence February 2022.

24. Financial liabilities (continued)

On 28 February 2019 a Group subsidiary issued £10,546,000 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 £10,546,000 and the principal amount repayable increases semi-annually by RPI. Repayments will commence February 2021.

On 28 August 2019 a Group subsidiary issued £9,992,000 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 £9,992,000 and the principal amount repayable increases semi-annually by RPI. Repayments will commence 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 will commence February 2022. An amount of £34,299k remains undrawn as at 31 August 2019 and is scheduled to be fully drawn by September 2020.

On 1 September 2019 a Group subsidiary issued £38,405,000 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 £38,405,000 and the principal amount repayable increases semi-annually by RPI. Repayments will commence February 2022.

On 28 April 2020 a Group subsidiary issued £24,521,000 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 £24,521,000 and the principal amount repayable increases semi-annually by RPI. Repayments will commence 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 (see note 15).

24. Financial liabilities (continued)

The key terms of the facilities are:

	Coupon rate	Final repayment dates
Fixed-term loan	13.15%	July 2022
Fixed through an IR swap	4.695%, plus margin until Sept 2017, 5.910% thereafter	September 2044
Income-strip debt	Effective interest rate of 6.95%	March 2061

Secured subordinated loan notes

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

25. Hedging activities and derivatives

Derivatives not designated as hedging instruments

The Group uses inflation 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 contracts 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.

25. Hedging activities and derivatives (continued)

	31 August 2020		Restated 31 August 2019	
	£'000		£'000	
	Assets	Liabilities	Assets	Liabilities
IR swaps designated as hedging instrument	-	(163,710)	-	(164,074)
RPI swaps designated as hedging instrument	965	(13,185)	-	(38,691)
RPI swaps not designated as hedging instruments	-	(3,703)	-	(7,863)
	965	(180,598)	-	(210,628)

During the financial year the Group's management have revised approach to determine impact of non-performance risk including entity's own risk on fair value of derivatives. For relevant disclosures in relation to the changes of management estimated refer to note 4.

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:

	31 August 2020	Restated 31 August 2019
	£'000	£'000
Fair value of derivatives used for hedging		
Creditors: amounts falling due after one year	(176,895)	(202,765)
Debtors: amounts falling due after one year	965	-
Movement in fair value of derivatives used for hedging		
Recognised profit/(loss) through OCI:		
Owners of the parent	27,750	(47,628)
Non-controlling interest	(915)	(908)
Fair value of derivatives used for hedging		
Creditors: amounts falling due after one year	-	-
Debtors: amounts falling due after one year	(3,703)	(7,863)
Movement in fair value of derivatives used for hedging		
Recognised profit/(loss) through OCI:	4,160	(3,007)

25. Hedging activities and derivatives (continued)

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

	31 August 2020	Restated 31 August 2019
	£'000	£'000
Interest rate risk		
Cash flow hedge reserve	**364**	(31,932)
RPI risk		
Cash flow hedge reserve	**26,471**	(16,604)

Interest Rate Benchmark Reform (IBOR reform)

The Group is exposed to LIBOR, within its hedge accounting relationships, which are subject to interest rate benchmark reform: The hedged items include issued sterling floating rate debt.

The Group's management is currently consulting with the institutions with which the Group has LIBOR related financial instruments. The Group's management is also assessing the potential impact of the reform on the Group's financial statements. Based on discussion with the counterparties and market commentary, the board currently anticipate that there will be a solution provided to entities with LIBOR hedged cash flows which reflects the position intended by the original documentation.

Details of the hedging instruments and hedged items in scope of the IFRS 9 amendments due to interest rate benchmark reform, by hedge type are listed in note 39.1. The terms of the hedged items listed match those of the corresponding hedging instruments.

The Group will continue to apply the amendments to IFRS 9 until the uncertainty arising from the interest rate benchmark reforms with respect to the timing and the amount of the underlying cash flows that the Group is exposed ends. The Group has assumed that this uncertainty will not end until the Group's contracts that reference LIBOR are amended to specify the date on which the interest rate benchmark will be replaced, the cash flows of the alternative benchmark rate and the relevant spread adjustment. This will, in part, be dependent on the introduction or amendments of fall back clauses which have yet to be added to the Group's contracts and the negotiation with lenders and bondholders.

25. Hedging activities and derivatives (continued)

Interest Rate Benchmark Reform (IBOR reform)

The table below summaries the maturity profile of the Group's derivative financial liabilities based on contractual undiscounted payments.:

		Contractual cash flows			
	Carrying amount	Less than 1 year	1-2 years	2-5 years	More than 5 years
31 August 2020	**179,633**	12,979	13,180	37,959	137,127
31 August 2019	**210,628**	12,402	12,803	37,888	140,146

For information on impact of accounting standards and interpretations in issue but not yet effective on hedging activities and derivatives refer to note 3. Further information on financial risk management related to hedging activities and derivatives is in note 39.

26. Fair value measurement

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

	31 August 2020		Restated 31 August 2019	
	£'000		£'000	
	Book value	**Significant observable inputs Level 2**	Book value	Significant observable inputs Level 2
Financial assets				
Derivatives designated as hedging instruments				
RPI swaps	**965**	**965**	-	-
Derivatives not designated as hedging instruments				
RPI swaps	**-**	**-**	-	-
Financial assets at amortised cost				
Financial receivable – service concession arrangements	**143,363**	**134,315**	108,598	99,658
Financial assets – other	**3,204**	**3,205**	5,667	4,519
Trade and other receivables	**4,273**	*	4,196	*
Cash at bank and in hand	**188,075**	**-**	231,351	*
	339,880		**349,812**	

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

26. Fair value measurement (continued)

	31 August 2020		Restated 31 August 2019	
	£'000		£'000	
	Book value	**Significant observable inputs Level 2**	Book value	Significant observable inputs Level 2
Financial liabilities				
Borrowings				
Senior secured notes	**492,864**	**484,237**	500,285	527,646
Senior debt	**552,249**	**545,026**	554,180	551,698
Senior index linked debt	**644,330**	**599,057**	581,957	528,563
Non-recourse bank debt finance	**80,162**	**83,887**	80,801	62,992
Secured subordinated loan notes	**31,745**	**22,468**	29,562	22,846
Secured bridge funding loan notes	**-**	**-**	-	-
Derivatives designated as hedging instruments				
Interest rate swaps	**163,710**	**163,710**	164,074	164,074
RPI swaps	**13,185**	**13,185**	38,691	38,691
Derivatives not designated as hedging instruments				
RPI swaps	**3,703**	**3,703**	7,863	7,863
Financial liabilities at amortised cost				
Trade and other payables	**13,578**	*****	15,894	*
	1,995,526		**1,973,307**	

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

26.1. Valuation techniques and significant unobservable inputs

Type	Valuation technique
Derivative instruments	The fair values of the derivative IR swap contracts and inflation swap contracts are estimated by discounting expected future cash flows using market interest rates, market inflation rates and option volatility.
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 Financial receivable – service concession arrangements	The valuation model considers the present value of expected payment, discounted using a risk-adjusted discount rate.

27. Provisions for liabilities

	Dilapidations
	£'000
At 1 September 2019	143
(Credited) / charged to profit & loss account	72
At 31 August 2020	**215**
At 1 September 2018	126
(Credited) / charged to profit & loss account	17
At 31 August 2019	**143**

28. Called-up share capital

	31 August 2020	31 August 2019
	£'000	£'000
Allotted, called up and fully paid		
1,032,000 ordinary shares of £1 each	**1,032**	1,032

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

29. Reserves

Capital reserve

The £1,043k of capital contributions relate to benefits assigned by The Alma Mater Fund LP who retain the risks associated with the benefits. These have been received in cash and are non-refundable. As £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 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 on 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.

30. Retirement benefit schemes

Defined contribution scheme

The Group operates a defined contribution retirement benefit scheme for all employees, complying with automatic enrolment legislation from October 2013. The total cost charged to the profit and loss account of £1,413k (2019: ££2,086k) represents a pre-determined amount of the employee's salary paid into the scheme. As at 31 August 2020, £nil (2018: £nil) contributions remained outstanding.

Defined benefit scheme

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

Contributions are set every three years as a result of the actuarial valuation. The next contribution is being carried out at 31 March 2022 setting out contributions for the period from 1 April 2023 to 31 March 2026. There are no minimum funding requirements, but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions.

The material assumptions used by the Actuary were as follows:

	31 August 2020	31 August 2019
	£'000	£'000
Rate of inflation	**2.4%**	3.2%
Rate of increase in salaries	**3.4%**	3.8%
Rate of increase in pensions	**2.4%**	2.3%
Discount rate for liabilities	**1.6%**	1.8%

Estimate of the Group's past service liability duration is 17 years. This has been calculated based on membership data for the most recent full valuation of the liabilities at 31 March 2019.

An estimate of the future cashflows is made using notional cashflows based on the estimated duration above. These estimated cashflows are then used to derive a Single Equivalent Discount Rate (SEDR). This is consistent with the approach used at the previous accounting date.

Similar to the approach used to derive the discount rate, the Retail Prices Index (RPI) increase assumption is set using a Single Equivalent Inflation Rate (SEIR) approach, using the notional cashflows described above. This is consistent with the approach used at the previous accounting date.

As future pension increases are expected to be based on the Consumer Prices Index (CPI) rather than RPI, we have made a further assumption about CPI which is that it will be 0.80% p.a. below RPI i.e. 2.35% p.a. We believe that this is a reasonable estimate for the future differences in the indices, based on the different calculation methods, recent independent forecasts and the duration of the liabilities.

Salaries are assumed to increase at 1.0% p.a. above CPI. This differs from the salary increase assumption at the previous accounting date and has been updated in line with the most recent funding valuation.

30. Retirement benefit schemes (continued)

The current mortality assumptions include sufficient allowance for future improvements in mortality rates.

The assumed life expectations on retirement at age of 65 are:

	31 August 2020	31 August 2019
	£'000	£'000
Retiring today		
Males	**21.8**	21.7
Females	**24.4**	24.4
Retiring in 20 years		
Males	**23.2**	23.3
Females	**25.9**	26.2

Amounts recognised in the income statement are as follows:

	Year ended 31 August 2020	Year ended 31 August 2019
	£'000	£'000
Service cost	**69**	88
Net interest on the defined liability	**33**	38
Administrative expenses	**1**	1
	103	**127**

Amount taken to other comprehensive income is as follows:

	Year ended 31 August 2020	Year ended 31 August 2019
	£'000	£'000
Return of scheme assets in excess of interest	**56**	69
Other actuarial gains / (losses) on assets	**(80)**	-
Change in demographic assumptions	**53**	260
Experience gain / (loss) on defined benefit obligation	**17**	-
Change in financial assumptions	**(284)**	(652)
Re-measurement of the net assets / (defined liability)	**(238)**	**(323)**

30. Retirement benefit schemes (continued)

The amount included in the statement of financial position arising from the Group's obligations in respect of its defined benefit scheme is as follows:

	31 August 2020	31 August 2019
	£'000	£'000
Present value of the defined benefit obligation	(5,529)	(5,328)
Fair value of scheme assets	3,352	3,446
Net defined benefit liability	**(2,177)**	**(1,882)**

Defined benefit obligation reconciliation is as follows:

	2020	2019
	£'000	£'000
At 1 September	5,328	4,824
Current service cost	69	64
Interest cost	94	124
Change in financial assumptions	284	652
Estimated benefits paid net of transfers in	(185)	(110)
Change in demographic assumptions	(53)	(260)
Experience gain / (loss) on defined benefit obligation	(17)	-
Past service cost	-	24
Contributions by scheme participants	9	10
At 31 August	**5,529**	**5,328**

30. Retirement benefit schemes (continued)

Reconciliation of fair value of the scheme assets is as follows:

	2020	2019
	£'000	£'000
At 1 September	**3,446**	3,329
Interest on assets	**61**	86
Return on assets less interest	**56**	69
Other actuarial gains / (losses)	**(80)**	-
Contributions	**55**	73
Administration expenses	**(1)**	(1)
Benefits paid	**(185)**	(110)
At 31 August	**3,352**	**3,446**

The estimated amounts of contributions expected to be paid to the scheme during the financial year ending 2021 is £47k (2020: nil).

The estimated asset allocation of the scheme as at 31 August 2020 is as follows:

	31 August 2020		31 August 2019	
	%	£'000	%	£'000
Equities	**60**	**2,009**	62	2,149
Government bonds	**4**	**130**	3	113
Other bonds	**9**	**288**	9	297
Property	**13**	**442**	13	455
Cash	**4**	**132**	3	101
Other	**10**	**351**	10	331
Total fair value of scheme assets (bid value)	**100**	**3,352**	**100**	**3,446**
Present value of scheme liabilities		**(5,529)**		(5,328)
Net deficit		**(2,177)**		(1,882)

30. Retirement benefit schemes (continued)

Sensitivity analysis on the major assumptions is presented below:

	£'000	£'000	£'000
Adjustment to discount rate	+0.1pp	none	-0.1pp
Present value of total obligation	5,437	5,529	5,623
Projected service cost	71	73	75
Adjustment to long term salary increase	+0.1pp	none	-0.1pp
Present value of total obligation	5,536	5,529	5,522
Projected service cost	73	73	73
Adjustment to pension increases and deferred revaluation	+0.1pp	none	-0.1pp
Present value of total obligation	5,615	5,529	5,445
Projected service cost	75	73	71
Adjustment to life expectancy assumptions	+1 year	none	-1 year
Present value of total obligation	5,793	5,529	5,286
Projected service cost	76	73	70

31. Loss per share

The calculation of loss per share has been based on the following profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding.

	Year ended 31 August 2020	Year ended 31 August 2019
Loss attributable to ordinary shareholders (£'000)		
Basic	**(4,991)**	(18,712)
Diluted	**(4,991)**	(18,712)

Weighted average number of shares (thousands)		
Basic	**1,019**	1,019
Diluted	**1,019**	1,019

	2020	2019
Issued ordinary shares at 1 September	**1,018,667**	1,000,000
Effect of shares issued in January 2019	**-**	18,667
Issued ordinary shares at 31 August	**1,018,667**	**1,018,667**

32. Share-based payments

On 1 December 2018, the Group introduced a new share-based payment scheme for the Executive Leadership Team as a part of its remuneration package. This programme was introduced by UPP Group Holdings Limited. New shares in UPP Group Holdings Limited, under the programme, will vest if certain conditions including a defined growth in the valuation of the business are met. In addition, participants in this programme must be employed until the end of agreed vesting periods. After the end of the long term incentive plan term each participant will have the option to sell their vested shares, at a price based upon the valuation of the business at that time.

The key terms and conditions related to the grant under this programme are as follows:

Grant date:	1 December 2018
End date:	31 August 2021
Employees entitled:	Executive Leadership Team
Instruments granted:	845 shares of UPP Group Holdings Limited
Fair value at grant date:	£523.9 per share
Expected volatility:	58%
Expected life:	2.75 years
Expected dividends:	nil

Vesting date	Amount	Conditions
1 September 2019	10% of shares vesting	Service until 1 September 2019 and minimum increase in business valuation of 10.5%
1 September 2020	15% of shares vesting	Service until 1 September 2020 and minimum increase in business valuation of 10.5%
1 September 2021	75% of shares vesting	Service until 1 September 2021 and minimum increase in business valuation of 10.5%

On 1 December 2018, each participant in the scheme purchased shares based on the market value price calculated as at that date. There were 845 shares issued at a nominal of value £1 each and an unrestricted market value of £524 per share (the total value of shares issued was £443k). Each participant also received an interest-free loan of the amount equal to the value of the shares bought. The loans are repayable when the participant sell their shares or earlier if a participant ceases employment with the business.

The long-term incentive plan covers three financial years and will end at 31 August 2021.

32. Share-based payments (continued)

Measurement of fair value

The fair value of the long-term incentive plan has been measured using a probability-weighted expected-returns methodology. Additional discounts for any lack of control over shares and lack of marketability (recognising the non-marketable uninfluential minority nature of the shares) were applied. The valuation estimate is based on three long cash flow forecasts (base, low and high scenarios). Cash flow forecasts have been developed for each component of the business, taking into account a range of value drivers including:

- Individual occupancy
- RPI
- Rent levels
- Other revenue and operating costs assumptions

These forecasts have been discounted at the Group's estimated cost of equity.

The spread of outcomes of the base, low and high scenarios has been weighted by probability, which management believe captures the potential variation in their business plan.

33. 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. PGGM is the ultimate controlling party of the Group.

34. Related party transactions

As at 31 August 2018, 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 year the Group incurred costs of £264k (2019: £444k) in respect of services provided by Nottingham Trent University in respect of UPP (Clifton) Holdings Limited and UPP (Byron House) Holdings Limited. An amount of £8,781k (2019: £2,887k) remains outstanding at the balance sheet date. An amount of £4,788k (2019: 518k) is included within creditors falling due within one year. An amount of £3,446k (2019: £3,998k) is included within creditors falling due after one year. During the year the Group received income of £11,471k (2019: £11,031k) in respect of services provided by these companies to the university. An amount of £nil (2019: £24k) remains outstanding at the balance sheet date.

During the year the Group incurred costs of £2,223k (2019: £2,166k) in respect of services provided by the University of Reading and received income of £30,437k (2019: £29,985k) in respect of services provided to the university. An amount of £96k (2019: £964k) remains outstanding at the balance sheet date and is included within debtors falling due within one year.

During the year the Group incurred costs of £143k (2019: £135k) in respect of services provided by the University of London and received income of £16,212k (2019: £10,198k) in respect of services provided to the university. An amount of £2,519k (2019: £2,519k) remains outstanding at the balance sheet date and is included within creditors falling due after one year

During the year the Group incurred costs of £252k (2019: £130k) in respect of services provided by the University of Hull. An amount of £2,874k (2018: £2,645k) remains outstanding at the balance sheet date. This is included within creditors falling due after one year.

During the year ended 31 August 2019 the Group has received capital contribution from its Shareholders PGGM and Okra Gee to the amount of £14,750k. This has been exchanged for 33 ordinary shares of the nominal value of £1.

During the year ended 31 August 2019 the Group has paid a dividend of £8,000k to the shareholders.

35. 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 the trading 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:

Entity	Proportion	Shares held Class	Nature of Business
UPP (Alcuin) Limited	100%	Ordinary	Student Accommodation
UPP (Lancaster) Holdings Limited	100%	Ordinary	Student Accommodation
UPP (Broadgate Park) Holdings Limited	100%	Ordinary	Student Accommodation
UPP (Nottingham) Limited	100%	Ordinary	Student Accommodation
UPP (Plymouth Three) Limited	100%	Ordinary	Student Accommodation
UPP (Kent Student Accommodation) Limited	100%	Ordinary	Student Accommodation
UPP (Loughborough Student Accommodation) Holdings Limited	100%	Ordinary	Student Accommodation
UPP Leeds Student Residences Limited	100%	Ordinary	Student Accommodation
UPP Loring Hall Limited	100%	Ordinary	Student Accommodation
UPP (Oxford Brookes) Limited	100%	Ordinary	Student Accommodation
UPP (Reading I) Holdings Limited	80%	Ordinary	Student Accommodation
UPP (Kent Student Accommodation II) Holdings Limited	100%	Ordinary	Student Accommodation
UPP (Clifton) Holdings Limited	80%	Ordinary	Student Accommodation
UPP (Exeter) Limited	100%	Ordinary	Student Accommodation
UPP (Byron House) Holdings Limited	80%	Ordinary	Student Accommodation
UPP (Kent Turing) Holdings Limited	100%	Ordinary	Student Accommodation
UPP (Cartwright Gardens) Holdings Limited	85%	Ordinary	Student Accommodation
UPP (Duncan House) Holdings Limited	85%	Ordinary	Student Accommodation
UPP (Hull) Holdings Limited	90%	Ordinary	Student accommodation
UPP (Swansea) Holdings 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

35. Investments (continued)

Entity	Proportion	Shares held Class	Nature of Business
UPP (East Park) Holdings 1 Limited	100%	Ordinary	Student accommodation
UPP (East Park) Holdings 2 Limited	100%	Ordinary	Student accommodation
UPP (Swansea 2) Holdings 1 Limited	100%	Ordinary	Student accommodation
UPP (Swansea 2) Holdings 2 Limited	100%	Ordinary	Student accommodation
UPP Bond 1 Issuer plc	100%	Ordinary	Provision of senior secured bond funding
UPP Projects Limited	100%	Ordinary	Partnerships development for the provision of student accommodation
UPP Residential Services Limited	100%	Ordinary	Provision of facility management services
UPP Group Limited	100%	Ordinary	Holding company
UPP Group Holding Limited	100%	Ordinary	Holding company
UPP (MidCo) Limited	100%	Ordinary	Holding company

The proportion of voting rights held is in line with the proportion of shares held.
All subsidiaries listed above are registered at 12 Arthur Street, London, EC4R 9AB.

36. Non-controlling interests (NCI)

The following table summarises the information relating to each of the Group's subsidiaries that has material NCI, before any intra-group eliminations. There were no changes in the NCI percentages during the year.

31 August 2020	**UPP (Byron House) Holdings Limited**	**UPP (Cartwright Gardens) Holdings Limited**	**UPP (Clifton) Holdings Limited**	**UPP (Reading 1) Holdings Limited**	**UPP (Duncan House) Holdings Limited**	**UPP (Hull) Holdings Limited**	**Consolidation adjustments**	**Total**
NCI percentage	**20%**	**15%**	**20%**	**20%**	**15%**	**10%**		
Non-current assets	62,800	172,400	42,200	350,277	106,133	149,404		
Current assets	5,939	8,220	4,345	13,895	6,815	11,133		
Non-current liabilities	(75,468)	(152,397)	(53,035)	(290,557)	(110,163)	(159,554)		
Current liabilities	(3,234)	(3,991)	(1,232)	(4,554)	(3,673)	(6,044)		
Net assets	**(9,963)**	**24,232**	**(7,722)**	**69,061**	**(888)**	**(5,061)**		
Net assets attributable to NCI	(1,993)	3,628	(730)	13,812	(133)	(506)	1,071	15,149
Revenue	6,475	10,565	4,948	30,811	5,504	8,190		
Profit /(Loss)	1,118	(1,422)	177	(138)	(1,935)	(4,617)		
OCI	5,167	17,406	5,081	12,110	-	-		
Total comprehensive income	**6,285**	**15,984**	**5,258**	**11,972**	**(1,935)**	**(4,617)**		
Profit allocated to NCI	224	(213)	35	(28)	(290)	(462)	-	(734)
Total OCI allocated to NCI	-	-	454	-	-	-		454
Cash flows from operating activities	4,680	7,034	3,741	20,586	(9,492)	4,162		
Cash flows from investment activities	16	(108)	1	18	(61)	45		
Cash flows from financing activities (dividends to NCI: nil)	(3,085)	(7,784)	(3,415)	(19,723)	(2,670)	(5,922)	-	
Net increase (decrease) in cash and cash equivalents	1,611	(858)	327	881	(12,223)	(1,715)		

36. Non-controlling interests (NCI) (continued)

31 August 2020	**UPP (Byron House) Holdings Limited**	**UPP (Cartwright Gardens) Holdings Limited**	**UPP (Clifton) Holdings Limited**	**UPP (Reading 1) Holdings Limited**	**UPP (Duncan House) Holdings Limited**	**UPP (Hull) Holdings Limited**	**Consolidation adjustments**	**Total**
NCI percentage	**20%**	**15%**	**20%**	**20%**	**15%**	**10%**		
Non-current assets	58,000	155,400	39,700	338,246	108,213	153,590		
Current assets	3,714	8,821	6,052	11,554	18,742	13,300		
Non-current liabilities	(75,001)	(151,409)	(39,619)	(287,824)	(109,066)	(156,913)		
Current liabilities	(2,959)	(4,563)	(14,776)	(4,886)	(16,842)	(10,420)		
Net assets	**(16,246)**	**8,249**	**(8,643)**	**57,090**	**1,046**	**(444)**		
Net assets attributable to NCI	(3,250)	1,230	(1,781)	11,418	157	(44)	7,139	14,869
Revenue	6,207	10,154	4,796	30,141	-	4,220		
Profit /(Loss)	472	(1,187)	(10)	(2,391)	-	(1,461)		
OCI	304	330	(4,348)	10	-	-		
Total comprehensive income	**776**	**(857)**	**(4,358)**	**(2,381)**	**-**	**(1,461)**		
Profit allocated to NCI	94	(178)	(2)	(478)	-	(146)	1	(709)
Total OCI allocated to NCI	-	-	(915)	-	-	-	7	(908)
Cash flows from operating activities	3,786	7,827	3,310	16,465	29,249	25,936		
Cash flows from investment activities	14	(128)	13	23	(27,873)	(40,051)		
Cash flows from financing activities (dividends to NCI: nil)	(4,616)	(7,224)	(3,085)	(16,675)	(14,301)	(21,954)	-	
Net increase (decrease) in cash and cash equivalents	(816)	475	238	(187)	(12,925)	(36,069)		

37. Cash and cash equivalents

	31 August 2020	31 August 2019
	£'000	£'000
Cash at bank and in hand	**138,777**	214,013
Short term deposits	**49,298**	17,338
Cash and cash equivalents	**188,075**	**231,351**

The cash and cash equivalents disclosed above and in the statement of cash flows include £133,006k as at 31 August 2020 (£180,430k as at 31 August 2019) of restricted cash. This cash is subject to be used only by SPVs in line with the service concession agreements and are therefore not available for general use by the other entities within the Group.

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

	Total	**Borrowings**	**Share capital**	**Share premium**	**Retained earnings**
	£'000	£'000	£'000	£'000	£'000
31 August 2019 restated		**1,746,785**	**1,032**	**473,485**	**(255,061)**
Financing activities					
New debt drawn	63,812	63,812	-	-	-
Repayment of senior debt	(10,180)	(10,180)	-	-	-
Repayment of fixed rate debt	(6,958)	(6,958)	-	-	-
Repayment of index-linked debt	(17,751)	(17,751)	-	-	-
Interest paid	(50,367)	(50,367)	-	-	-
Finance lease payments	7,365	7,365	-	-	-
Dividends paid	-	-	-	-	-
Capital contributions	-	-	-	-	-
Net cash flow from / (used in) financing activities	**(14,079)**	**(14,079)**	**-**	**-**	**-**
Interest expense		76,826	-	-	-
Interest income on finance receivable		(8,181)	-	-	-
Equity related other changes		-	-	-	654
31 August 2020		**1,801,351**	**1,032**	**473,485**	**(254,407)**

38. Reconciliation of movements of liabilities to cash flows arising from financing activities (continued)

	Total	Borrowings	Share capital	Share premium	Retained earnings
	£'000	£'000	£'000	£'000	£'000
31 August 2018 restated		**1,630,522**	**1,000**	**458,767**	**(244,421)**
Financing activities					
New debt drawn	123,354	123,354	-	-	-
Repayment of senior debt	(11,026)	(11,026)	-	-	-
Repayment of fixed rate debt	(4,008)	(4,008)	-	-	-
Repayment of index-linked debt	(9,144)	(9,144)	-	-	-
Interest paid	(52,656)	(52,656)	-	-	-
Finance lease payments	1,356	1,356	-	-	-
Dividends paid	(8,000)	-	-	-	(8,000)
Capital contributions	-	-	32	(32)	-
Net cash flow from / (used in) financing activities	**39,876**	**47,876**	**32**	**(32)**	**(8,000)**
Interest expense		71,590	-	-	-
Interest income on finance receivable		(3,204)	-	-	-
Equity related other changes		-	-	14,750	(17,865)
31 August 2019 restated		**1,746,784**	**1,032**	**473,485**	**(270,286)**

39. 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.

39.1. Market risk

Interest rate risk

The Group finances its operations through a mixture of equity, bank borrowings and secured listed bond notes. The Group exposure to interest rate fluctuations on its bank borrowings is managed by the use of fixed-rate debt and IR swaps which fix variable interest rates for a period of time.

When the associated bank borrowings are fully repaid the Group may be required to terminate the IR swaps earlier than they mature and may become liable to pay penalties. When this occurs the cost of this termination is taken to the profit and loss account on termination.

As at 31 August 2020 and 31 August 2019 the Group has entered into the following IR swaps with external parties:

- an IR swap with UPP (Loughborough) Limited, of £24,816k nominal amount, commencing in June 2009 and finishing in June 2039
- an IR swap with UPP (Loughborough) Limited, of £24,816k nominal amount, commencing in December 2010 and finishing in June 2039
- an IR swap with UPP (Lancaster) Limited, of £176,248k nominal amount, commencing in November 2010 and finishing in March 2042
- an IR swap with UPP (Clifton) Limited, of £33,097k nominal amount, commencing in November 2012 and finishing in May 2039
- an IR swap with UPP (Kent Student Accommodation II) Limited, of £19,690k nominal amount, commencing in October 2010 and finishing in August 2041
- an IR swap between UPP Leeds Student Residences Limited, of £24,944k nominal amount, commencing in June 2008 and finishing in August 2044

The Group adopts hedge accounting for all of the IR swaps noted above.

The hedge ineffectiveness can arise from:

- Differences in the timing of the cash flows of the hedged items and the hedging instruments;
- Changes to the forecasted amount of cash flows of hedged items and hedging instruments.

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 as at 31 August 2020 and 31 August 2019 are as follows:

- a 27-year RPI swap with £255k nominal amount, commencing in February 2014 and finishing in February 2040
- a 27-year RPI swap with £255k nominal amount, commencing in February 2014 and finishing in February 2040
- a 27-year RPI swap with £255k nominal amount, commencing in August 2013 and finishing in February 2040

39. Financial risk management (continued)

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 as follows:

- a 25-year RPI swap with UPP (Alcuin) Limited with payments/receipts commencing in February 2015 and finishing in August 2038, £1,004k nominal amount
- a 27-year RPI swap with UPP (Broadgate Park) Holdings Limited with payments/receipts commencing in February 2015 and finishing in February 2040, £1,752k nominal amount
- a 27-year RPI swap with UPP (Kent Student Accommodation) Limited with payments/receipts commencing in February 2015 and finishing in February 2040, £624k nominal amount
- a 27-year RPI swap with UPP (Nottingham) Limited with payments/receipts commencing in February 2015 and finishing in February 2040, £1,784k nominal amount
- a 26-year RPI swap with UPP (Oxford Brookes) Limited with payments/receipts commencing in February 2014 and finishing in August 2039, £765k nominal amount
- a 27-year RPI swap with UPP (Plymouth Three) Limited with payments/receipts commencing in February 2015 and finishing in February 2040,£1,374k nominal amount

In addition, the Group has entered into five inflation swaps with external parties as follows:

- a 30-year RPI swap with UPP (Loughborough) Limited, of £454k nominal amount, commencing in June 2009 and finishing in June 2039
- a 29-year RPI swap with UPP (Loughborough) Limited, of £454k nominal amount, commencing in December 2010 and finishing in June 2039
- a 32-year RPI swap with UPP (Lancaster) Limited, of £2,567k nominal amount, commencing in November 2010 and finishing in March 2042
- a 27-year RPI swap with UPP (Clifton) Limited, of £603k nominal amount, commencing in November 2012 and finishing in May 2039
- a 31-year RPI swap with UPP (Kent Student Accommodation II) Limited, of £873k nominal amount, commencing in October 2010 and finishing in August 2041

RPI swaps are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured 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, three of the RPI swaps noted above – at UPP (Kent Student Accommodation) Limited, at UPP (Plymouth Three) Limited and UPP (Kent Student Accommodation II) Limited – do not qualify for hedge accounting as the hedged item does not meet the qualifying criteria of being separately-identifiable and reliably-measurable and as a result any changes in fair values of the derivatives are recognised through the profit and loss and therefore introduce some volatility to the profit and loss. The reasons for entering into RPI swaps remain commercially-sound – that is they are intended to reduce volatility in the Group's cash flows.

39. Financial risk management (continued)

For swaps that are in hedging relationship the hedge ineffectiveness can arise from:

- Differences in the timing of the cash flows of the hedged items and the hedging instruments
- Changes to the forecasted amount of cash flows of hedged items and hedging instruments

The sensitivity analysis below describes possible movements in inflation with all other variables held constant, showing the impact on profit before tax and equity.

		Effect on fair value of financial instruments	Effect on profit before taxation	Effect on equity
		£'000	£'000	£'000
1 September 2019 – 31 August 2020				
Financial Derivatives (RPI Swaps)	Increase of 25 bp	22,008	2,929	19,079
	Decrease of 25 bp	(21,346)	(2,845)	(18,501)
Financial Derivatives (IR Swaps)	Increase of 25 bp	(12,703)		(12,703)
	Decrease of 25 bp	13,198		13,198

Demand risk

The Group is subject 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 annually to enable the Group to review its strategic position.

39. Financial risk management (continued)

39.2. 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 following are contractual maturities of debt liabilities at the reporting date. The amounts are gross and undiscounted and include the contractual interest payments.

	31 August 2020	31 August 2019
	£'000	£'000
Repayable within one year or on demand	**53,006**	36,204
Repayable in more than one year but less than two years	**54,416**	38,798
Repayable in more than two years but less than five years	**178,892**	134,529
Repayable in more than five years	**1,712,402**	1,747,882
	1,998,716	**1,957,413**

39.3. Credit risk

The Group is exposed to credit risk from its operating activities (primarily from trade receivables) and from its financing activities, including deposits with banks and derivatives.

The Group receives the majority of its revenue in the form of rents passing from universities.

Credit risk from balances with banks and derivatives is managed through the Group's treasury policy. The Group sets up deposits and swap instruments only with the banks that have sufficient credit ratings and monitors those ratings on regular basis.

39. Financial risk management (continued)

The credit risk relates also to receivables from main counterparties which are universities. The Group manages credit risk by careful selection of the universities with which it chooses to partner and monitors the financial position of these universities on regular basis. As a research led business, it applies its own methodology for understanding the long-term performance of potential partner institutions. The credit risk is assessed and managed by:

- its bespoke contractual arrangements with partner universities;
- managing demand both operationally through its specialist asset management company and its operations company UPP Residential Services Limited,
- performing regular reviews of financial information of partner universities;
- performing regular reviews of higher education statistical data such as application rates, current university rankings that give an indication of future demand and the financial position of a specific university;
- analysing higher education reports and undertaking internal research by assessing demand for UK higher education from the perspective of UK and international students;
- performing macroeconomic research of UK and international higher education markets;
- analysing demographic data that has impact on higher education market;
- monitoring Office for Student reports, which acts as a regulator for universities;
- performing analysis of the occupancy ratios of the accommodation that the Group provides to partner universities;
- performing analysis of aging of the receivables from universities;
- maintaining a close relationship with partner universities through regular dialogue and meetings.

On the basis of following information:

- stable financial situation of partner universities,
- lack of information on potential worsening this situation in the foreseeable future
- universities are considered to be a public institution and that its financial stability is guaranteed by Office for Students

Management assess that there is no material credit risk. The calculated expected credit loss was not material and as a result no adjustments were made to the financial statements.

39. Financial risk management (continued)

The carrying amount of financial assets represents the maximum credit exposure.

Gross carrying amount of financial assets by credit risk rating grades:

	Gross carrying amount as at 31 August 2020	**Credit impaired**	**Restated gross carrying amount as at 31 August 2019**	**Credit impaired**
	£'000		£'000	
Low risk	189,040	No	231,351	No
Fair risk	150,840	No	117,313	No
	339,880		348,664	

Low risk assets are assets receivable from institutions that are rated and their rating is equivalent to Standard & Poor credit rating is in rage of BBB to AAA.

Fair risk assets relate to receivables from public institutions with stable financial situation and no record of payment delay over 30 days.

There is no collateral or other credit enhancements in relation to the financial assets.

40. Financial commitments

At 31 August 2020 the Group had an amount of £32,523k (2019: £97,142k) commitments contracted for but not provided for at that date. This related to ongoing construction of rooms of student residential accommodation.

www.upp-ltd.com