

Remedial plan update

UPP (Kent Student Accommodation) Limited

31 August 2021



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Background

Introduction

We refer to the Common Terms Agreement dated 5 March 2013 between, amongst others, UPP Bond 1 Issuer plc (the "Issuer") and the Issuer Security Trustee ("CTA") and the Monitoring Services Agreement dated 5 March 2013 between, amongst others, the Issuer and the Monitoring Adviser (the "Monitoring Services Agreement").

In accordance with Paragraph 1.4 of Part 1 of Schedule 10 of the CTA, a Trigger Level 2, Phase1 Monitoring Trigger Event occurred as the UPP (Kent Student Accommodation) Limited (the "AssetCo") did not have Projected AssetCo DSCR or Historic AssetCo DSCR on the Test Date of equal to or greater than 1.05:1, and the Projected Senior DSCR and Historic Senior DSCR greater than 1.15:1. The Test Date being 28 February 2021.

Under such event there are additional requirements the AssetCo must adhere to:

- The AssetCo is required to develop a remedial plan which includes a proposed cure period, specific and measurable milestones, including appropriate timeframes for achieving such milestones, known as "Performance Objectives";
- The Bond Monitoring Advisor (the "MA") must actively engage with the AssetCo and shall have consultation rights and be given the right to comment on the remedial plan but will not have approval rights in respect of the remedial plan.
- Provide quarterly reporting (to be provided to the MA between 5 and 10 Business Days following the relevant quarter-end, where a quarter-end is 30 November, 28 February, 30 May and 31 August annually) against the Performance Objectives. It is recognised that the MA is required to, inter alia, provide a quarterly report stating its views and analysis of the event.

This report is the update required under the remedial plan as outlined above.

Update on Performance Objectives

The following Performance Objectives were agreed to form the basis of the remedial plan:

Table 1: Performance Objectives

No.	Measure	Timing	Objective	Dependency
1	UPP propose marketing mitigation plan to maximise void back fill activity for AY2020/21	Nov 20	University confirm activity undertaken to pursue opportunities	None
2	Monthly monitoring of AY2020/21 activity via M&A forum	Nov 20 – Aug 21	All additional revenue activity recorded and billed by 10/08/2021	None
3	Rent setting complete for AY2021/22	31 Dec 2020	Published	None
4	Booking portal open for all AY2021/22 applications	14 Jan 2021	Booking portal open	3
5	Returner campaign designed and agreed	14 Jan 2021	Campaign launched	3
6	Monitor bookings via University feeds	From 15 Jan 2021	Level of bookings monitored and reported.	None
7	University complete supply and demand proforma (inc. Returner target)	31 Jan 21	Indication of 21/22 academic requirements and supply proforma	3
8	UPP to undertake 'PG test' to inform supply and demand assessment	31 Jan 21	PG allocation 80% of previous Inhouse PG performance	None
9	Returner offers released from 1 March 2021	1 March 21	Directors and University satisfied with the number of returners	3
10	Create a Vacation strategy to maximise 20/21 performance	31 March 21	Strategy available to view	None
11	Targeted number of returners secured for campus	31 May 21	Directors and University satisfied with the number of returners	3
12	UF offers released from May	31 May 21	Offer acceptance and turnaround as per defined Administration Arrangements	None
13	CF offers released from July	31 Jul 21	Offer acceptance and turnaround as per defined Administration Arrangements	None
14	Clearing accommodation application open	24 Aug 21	All available accommodation listed to UG applicants	None

Occupancy

Update for Academic Year 2020/21

Occupancy has been stable at 68.7% since January. Forecast second semester arrivals at the University of Kent (the "University") were impacted by Covid-19 and therefore the prolonged period of lockdown since, has ensured that occupancy has not increased further.

Update for Academic Year 2021/22

The booking portal has now opened and contracting has commenced. Sales are currently ahead of AY2020/21 cycle and a 98% nomination for occupancy/revenue has now been received by the university.

Update on Performance Objectives

Updates are provided against the measures detailed in the table above:

- **Measure 1** - UPP propose marketing mitigation plan to maximise void back fill activity for AY20/21
 - Issued to partner July 2020, follow up and discussion held in subsequent M&A forums
- **Measure 2** - Monthly monitoring of AY2020/21 activity via M&A forum
 - Meetings are taking place monthly
- **Measure 3** - Rent setting complete for AY2021/22
 - Complete and published
- **Measure 4** – Booking portal open for all AY2021/22 applications
 - Booking portal opened 14 January 2021
- **Measure 5** – Returner campaign designed and agreed
 - Campaign successfully launched 4 December 2020
- **Measure 6** – Monitor bookings via University feeds
 - Daily feeds in place and monitored by lettings team
- **Measure 7** – University complete supply and demand proforma (inc. Returner target)
 - Target agreed across campus for macro supply and demand, broken down to expected levels for this AssetCo
- **Measure 8** – UPP to undertake 'PG test' to inform supply and demand assessment
 - Test undertaken and 217 rooms initially allocated for PG use. Remainder allocated to UG 1st year/returners
- **Measure 9** – Returner offers released from 1 March 2021
 - Returners offers were released from 6 March 2021
- **Measure 10** – Create a Vacation strategy to maximise 20/21 performance
 - Any rooms being used for Pre-sessional English courses in Woolf will generate £7.50 per night. 16 total bookings were yielded, with start dates varying between July and September 2021.
- **Measure 11** – Targeted number of returners secured for campus
 - Contracting commenced in March 2021. Overall position as at 20 August 2021:

Applications

		Woolf	Total
UG	New	245	245
	Returners	127	127
PG	New	384	384
	Returners	25	25
Total		771	771

Acceptances

		Woolf	Total
UG	New	135	135
	Returners	122	122
PG	New	32	32
	Returners	11	11
Total		300	300

- **Measure 12** – UF offers released from May 2021
 - Contracting has commenced and Woolf is 55.1% let, compared with 16% let for AY2020/21, as at 20th August 2021
- **Measure 13** – CF offers released from July 2021
 - PG students at CF status were not issued with contracts during July 2021. PG students with a UF status were contracted. As at 20th August, 189 students at UF status are yet to be offered a contract. To remain contractually compliant, the University usually has until the end of August to issue contracts. A nomination to 98% occupancy/revenue has now been received from the university.
- **Measure 14** – Clearing accommodation application opens
 - Applications for accommodation through clearing opened on the 10th August as expected. The University recruitment stretch target for clearing was 1,000 students. No data on progress has been shared to date, but the University have indicated they have not yet reached the target and do not expect to do so.

Financial Reporting Update

August ADSCR update

The latest financial reporting relates to the period ending 31 August 2021.

Update 2020/21 (HADSCR ending 31 August 2021)

1.15

	H2 19/20 (100% occupancy, actual)	H1 20/21 (68% occupancy, actual)	Sum/£000's
Turnover			
Term Rental Income	2,097	1,470	3,567
University Charges	(42)	(29)	(71)
Commercial Income	7	8	15
RPI Swap	2	15	17
Total Turnover	2,064	1,464	3,528
Cost of Sales			
Core Annual Service Payment	(295)	(277)	(572)
Staff Costs	(76)	(104)	(180)
Utilities	(66)	(151)	(217)
Internet Access	(56)	(36)	(92)
Total Cost of Sales	(493)	(568)	(1,061)
Gross Margin	1,571	896	2,467
Overheads			
Insurance	(12)	(11)	(23)
Management Charges	(74)	(74)	(148)
Bank Charges	(0)	(0)	(0)
Bond Corporate Governance Fees	(10)	(9)	(19)
Audit & Tax Fees	(9)	(8)	(17)
Cost Variations to Model	(20)	(6)	(26)
Operating Costs	(125)	(107)	(233)
EBITDA before sinking fund	1,446	790	2,234
Sinking fund - deposit	(173)	(224)	(397)
Interest revenue	16	8	24
	(157)	(217)	(373)
CFADS	1,289	574	1,864
Interest Expense Bond Fixed	442	503	945
Interest Expense Bond Linked	81	147	228
Repayment	125	319	444
Debt Service	648	969	1,617
Ratio			x1.15

Update 2021/22 (FADSCR beginning 1 September 2021)

1.01

	H2 20/21 (68% occupancy, actual)	H1 21/22 (99% occupancy projected)	Sum/£000's
Turnover			
Term Rental Income	1,470	2,102	3,572
University Charges	(29)	(42)	(71)
Commercial Income	8	12	20
RPI Swap	9	21	30
Total Turnover	1,458	2,093	3,551
Cost of Sales			
Core Annual Service Payment	(275)	(249)	(524)
Staff Costs	(106)	(138)	(244)
Utilities	(108)	(131)	(239)
Internet Access	(36)	(36)	(72)
Total Cost of Sales	(525)	(554)	(1,079)
Gross Margin	933	1,539	2,472
Overheads			
Insurance	(11)	(13)	(24)
Management Charges	(73)	(71)	(144)
Bank Charges	-	-	-
Bond Corporate Governance Fees	(9)	(9)	(18)
Audit & Tax Fees	(8)	(8)	(16)
Cost Variations to Model	(3)	(11)	(14)
Operating Costs	(104)	(113)	(216)
EBITDA before sinking fund	829	1,427	2,256
Sinking fund - deposit	(487)	(157)	(644)
Interest revenue	8	7	15
	(479)	(150)	(629)
CFADS	350	1,277	1,627
Interest Expense Bond Fixed	495	493	988
Interest Expense Bond Linked	85	86	171
Repayment	90	361	451
Debt Service	670	939	1,610
Ratio			X1.01