

# Remedial plan update

UPP (Kent Student Accommodation) Limited

30 November 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 are under discussion to form the ongoing activity and monitoring plan for Academic Year 2022/23 (these include two additional Performance Objectives relating specifically to additional sinking fund works completed prior to the commencement of Academic Year 2021/22 at items 13 and 14). Some dates will alter based on any changes in the marketing plan and/or UCAS recruitment cycle:

**Table 1: Performance Objectives**

| No. | Measure  | Timing          | Objective  | Dependency |
|-----|--|-----------------|--|------------|
| 1   | Monthly monitoring of AY2022/23 activity via M&A forum                     | Nov 21 – Sep 22 | Activity and timelines monitored   | None       |
| 2   | Rent setting complete for AY2021/22  | 31 Dec 2021     | Rents Published  | None       |
| 3   | Booking portal open for all AY2022/23 applications                         | 17 Jan 2022     | Booking portal open  | 3          |
| 4   | Returner campaign designed and agreed                                      | 17 Dec 2021     | Campaign outlines agreed and activity launched                             | 3          |
| 5   | Monitor bookings via University feeds                                      | Ongoing         | Level of bookings monitored and reported.                                  | None       |
| 6   | University complete supply and demand proforma (inc. Returner target)      | 31 Jan 22       | Indication of 22/23 academic requirements and supply proforma              | 3          |
| 7   | UPP to undertake 'PG test' to inform supply and demand assessment          | 31 Jan 22       | PG allocation 80% of previous Inhouse PG performance                       | None       |
| 8   | Returner offers released from 1 March 2022                                 | 01 March 22     | Directors and University satisfied with the number of returners            | 3          |
| 9   | Targeted number of returners secured for campus                            | 31 May 22       | Directors and University satisfied with the number of returners            | 3          |
| 10  | UF offers released from May  | 31 May 22       | Offer acceptance and turnaround as per defined Administration Arrangements | None       |
| 11  | CF offers released from August   | 31 Aug 22       | Offer acceptance and turnaround as per defined Administration Arrangements | None       |
| 12  | Clearing accommodation application open                                    | 17 Aug 22       | All available accommodation listed to UG applicants                        | None       |
| 13  | Completion of revised Sinking Fund works prior to AY2021/22 intake         | 30 Sep 21       | Revised Sinking Fund Works Completed                                       | None       |
| 14  | University / Student Feedback on the revised Sinking Fund works undertaken | 30 Nov 21       | Feedback sought from the University and site teams (for student comment)   | None       |

### Occupancy

#### *Update for Academic Year 2021/22*

542 of the 544 rooms were sold by the University, representing an occupancy level of 99.6% - in excess of the 98% nomination figure.

*Update on Performance Objectives for Academic Years 20/21 and 21/22*

- **Measure 1** - Monthly monitoring of AY2021/22 and AY2022/23 activity via M&A forum
  - Meetings are taking place monthly
- **Measure 2** - Rent setting complete for AY2022/23
  - Rent setting negotiations are underway
- **Measure 3** – Booking portal open for all AY2022/23 applications
  - Booking portal provisionally planned to open 17 January 2022
- **Measure 4** – Returner campaign designed and agreed
  - Planning is underway for AY2022/23
- **Measure 5** – Monitor bookings via University feeds
  - Daily feeds in place and monitored by lettings team
- **Measure 6** – University complete supply and demand proforma (inc. Returner target)
  - This will be completed for January 2022
- **Measure 7** – UPP to undertake 'PG test' to inform supply and demand assessment
  - Test undertaken to be undertaken in January 2022.
- **Measure 8** – Returner offers released from 1 March 2022
- **Measure 9** – Targeted number of returners secured for campus
  - Planning for 2022/23 is underway
- **Measure 10** – UF offers released from Spring 2022
  - Planning for 2022/23 is underway
- **Measure 11** – CF offers released from July 2021
  - Action Closed
- **Measure 12** – Clearing accommodation application opens
  - Action Closed
- **Measure 13** – Completion of revised Sinking Fund works prior to AY2021/22 intake
  - Additional kitchen works completed prior to student intake for AY2021/22
- **Measure 14** – University / Student Feedback on the revised Sinking Fund works undertaken
  - University and student feedback received from site has been positive and will help to inform further kitchen upgrades as part of the proposed sinking fund works for the summer of 2022.

## 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)*

|                                   | H1 20/21<br>(68%<br>occupancy,<br>actual) | H2 20/21<br>(68%<br>occupancy,<br>actual) | Sum/£000's     |
|-----------------------------------|---|---|----------------|
| <b>Turnover</b>                   |   |   |                |
| Term Rental Income                | 1,470                                     | 1,521                                     | 2,991          |
| University Charges                | (29)                                      | (31)                                      | (60)           |
| Commercial Income                 | 8   | 7   | 15             |
| RPI Swap                          | 15  | 9   | 24             |
| <b>Total Turnover</b>             | <b>1,464</b>                              | <b>1,506</b>                              | <b>2,970</b>   |
| <b>Cost of Sales</b>              |   |   |                |
| Core Annual Service Payment       | (277)                                     | (283)                                     | (560)          |
| Staff Costs                       | (104)                                     | (97)                                      | (201)          |
| Utilities                         | (151)                                     | (123)                                     | (274)          |
| Internet Access                   | (36)                                      | (36)                                      | (72)           |
| <b>Total Cost of Sales</b>        | <b>(568)</b>                              | <b>(539)</b>                              | <b>(1,107)</b> |
| <b>Gross Margin</b>               | <b>896</b>                                | <b>967</b>                                | <b>1,863</b>   |
| <b>Overheads</b>                  |   |   |                |
| Insurance                         | (11)                                      | (9)                                       | (20)           |
| Management Charges                | (74)                                      | (78)                                      | (152)          |
| Bank Charges                      | (0)                                       | (16)                                      | (16)           |
| Bond Corporate Governance Fees    | (9)                                       | (9)                                       | (18)           |
| Audit & Tax Fees                  | (8)                                       | (6)                                       | (14)           |
| Cost Variations to Model          | (5)                                       | (0)                                       | (5)            |
| <b>Operating Costs</b>            | <b>(107)</b>                              | <b>(118)</b>                              | <b>(225)</b>   |
| <b>EBITDA before sinking fund</b> | <b>789</b>                                | <b>849</b>                                | <b>1,638</b>   |
| Sinking fund - deposit            | (224)                                     | (537)                                     | (761)          |
| Interest revenue                  | 8   | 8   | 16             |
|                                   | <b>(216)</b>                              | <b>(529)</b>                              | <b>(745)</b>   |
| <b>CFADS</b>                      | <b>573</b>                                | <b>320</b>                                | <b>893</b>     |
| Interest Expense Bond Fixed       | 503                                       | 495                                       | 998            |
| Interest Expense Bond Linked      | 147                                       | 19  | 166            |
| Repayment                         | 319                                       | 90  | 409            |

|                     |            |            |              |
|---------------------|------------|------------|--------------|
| <b>Debt Service</b> | <b>969</b> | <b>604</b> | <b>1,573</b> |
| <b>Ratio</b>        |            |            | <b>x1.15</b> |

Update 2021/22 (FADSCR beginning 1 September 2021)

|                                   | <b>H1 21/22<br/>(98.3%<br/>occupancy<br/>projected)</b> | <b>H2 21/22<br/>(98.3%<br/>occupancy<br/>projected)</b> | <b>Sum/£000's</b> |
|-----------------------------------|---|---|-------------------|
| <b>Turnover</b>                   |   |   |                   |
| Term Rental Income                | 2,109   | 2,109   | <b>4,218</b>      |
| University Charges                | (40)  | (40)  | <b>(80)</b>       |
| Commercial Income                 | 12  | 12  | <b>24</b>         |
| RPI Swap                          | 5   | 3   | <b>8</b>          |
| <b>Total Turnover</b>             | <b>2,086</b>  | <b>2,084</b>  | <b>4,170</b>      |
| <b>Cost of Sales</b>              |   |   |                   |
| Core Annual Service Payment       | (248)   | (248)   | <b>(488)</b>      |
| Staff Costs                       | (139)   | (147)   | <b>(286)</b>      |
| Utilities                         | (153)   | (127)   | <b>(280)</b>      |
| Internet Access                   | (36)  | (36)  | <b>(72)</b>       |
| <b>Total Cost of Sales</b>        | <b>(576)</b>  | <b>(550)</b>  | <b>(1,126)</b>    |
| <b>Gross Margin</b>               | <b>1,510</b>  | <b>1,534</b>  | <b>3,044</b>      |
| <b>Overheads</b>                  |   |   |                   |
| Insurance                         | (13)  | (13)  | <b>(26)</b>       |
| Management Charges                | (71)  | (71)  | <b>(142)</b>      |
| Bank Charges                      | -   | -   | <b>-</b>          |
| Bond Corporate Governance Fees    | (9)   | (9)   | <b>(18)</b>       |
| Audit & Tax Fees                  | (8)   | (8)   | <b>(16)</b>       |
| Cost Variations to Model          | (11)  | (11)  | <b>(22)</b>       |
| <b>Operating Costs</b>            | <b>(112)</b>  | <b>(112)</b>  | <b>(224)</b>      |
| <b>EBITDA before sinking fund</b> | <b>1,398</b>  | <b>1,422</b>  | <b>2,820</b>      |
| Sinking fund - deposit            | (253)   | (253)   | <b>(506)</b>      |
| Interest revenue                  | 7   | 7   | <b>14</b>         |
|                                   | <b>(246)</b>  | <b>(246)</b>  | <b>(492)</b>      |
| <b>CFADS</b>                      | <b>1,152</b>  | <b>1,176</b>  | <b>2,328</b>      |
| Interest Expense Bond Fixed       | 491   | 490   | <b>981</b>        |
| Interest Expense Bond Linked      | 84  | 87  | <b>171</b>        |
| Repayment                         | 361   | 128   | <b>489</b>        |

|                     |            |            |              |
|---------------------|------------|------------|--------------|
|                     |            |            |              |
| <b>Debt Service</b> | <b>936</b> | <b>705</b> | <b>1,641</b> |
|                     |            |            |              |
| <b>Ratio</b>        |            |            | <b>X1.42</b> |