

Remedial plan update

UPP (Kent Student Accommodation) Limited

28 February 2022



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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 21/22 and 22/23

- **Measure 1** - Monthly monitoring of AY2021/22 and AY2022/23 activity via M&A forum
 - Meetings are continuing to take place monthly
- **Measure 2** - Rent setting complete for AY2022/23
 - Rent setting were completed in December 2021
- **Measure 3** – Booking portal open for all AY2022/23 applications
 - Booking portal opened 17 January 2022
- **Measure 4** – Returner campaign designed and agreed
 - Completed 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)
 - Completed in January 2022 and reviewed monthly
- **Measure 7** – UPP to undertake 'PG test' to inform supply and demand assessment
 - Test undertaken in January 2022 and planning for allocations agreed
- **Measure 8** – Returner offers released from 1 March 2022
- **Measure 9** – Targeted number of returners secured for campus
 - Target has been agreed at same level as 21/22
- **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

February ADSCR update

The latest financial reporting relates to the period ending 28 February 2022.

Update 2021/22 (HADSCR ending 28 February 2022)

	H2 20/21 (68% occupancy, actual)	H1 21/22 (100% occupancy, actual)	Sum/£000's
Turnover			
Term Rental Income	1,521	2,126	3,647
University Charges	(31)	(41)	(72)
Commercial Income	7	12	19
RPI Swap	9	5	14
Total Turnover	1,506	2,102	3,608
Cost of Sales			
Core Annual Service Payment	(283)	(266)	(549)
Staff Costs	(97)	(122)	(219)
Utilities	(123)	(153)	(276)
Internet Access	(36)	(40)	(76)
Total Cost of Sales	(539)	(580)	(1,119)
Gross Margin	967	1,522	2,489
Overheads			
Insurance	(9)	(13)	(22)
Management Charges	(78)	(73)	(151)
Bank Charges	(16)	-	(16)
Bond Corporate Governance Fees	(9)	(9)	(18)
Audit & Tax Fees	(6)	(8)	(14)
Cost Variations to Model	-	(11)	(11)
Operating Costs	(118)	(114)	(232)
EBITDA before sinking fund	849	1,408	2,257
Sinking fund - deposit	(529)	(157)	(686)
Interest revenue	8	3	11
	(521)	(154)	(675)
CFADS	328	1,254	1,582
Interest Expense Bond Fixed	495	493	988
Interest Expense Bond Linked	85	86	171
Repayment	90	361	451

Debt Service	670	940	1,610
Ratio			X0.98

Update 2021/22 (FADSCR beginning 1 September 2021)

	H2 21/22 (100% occupancy projected)	H1 22/23 (99% occupancy projected)	Sum/£000's
Turnover			
Term Rental Income	2,145	2,194	4,339
University Charges	(41)	(42)	(83)
Commercial Income	12	17	29
RPI Swap	4	(8)	(4)
Total Turnover	2,121	2,161	4,281
Cost of Sales			
Core Annual Service Payment	(244)	(257)	(501)
Staff Costs	(143)	(145)	(288)
Utilities	(140)	(130)	(270)
Internet Access	(36)	(37)	(73)
Total Cost of Sales	(563)	(569)	(1,132)
Gross Margin	1,558	1,534	3,149
Overheads			
Insurance	(13)	(13)	(26)
Management Charges	(71)	(75)	(146)
Bank Charges	-	-	-
Bond Corporate Governance Fees	(9)	(10)	(19)
Audit & Tax Fees	(8)	(8)	(16)
Cost Variations to Model	(11)	(6)	(17)
Operating Costs	(113)	(111)	(224)
EBITDA before sinking fund	1,445	1,481	2,925
Sinking fund - deposit	(157)	(209)	(365)
Interest revenue	7	7	14
	(150)	(202)	(351)
CFADS	1,295	1,279	2,574
Interest Expense Bond Fixed	490	479	970
Interest Expense Bond Linked	89	89	177
Repayment	128	355	483

Debt Service	707	923	1,630
Ratio			X1.58