UPP Bond 1 Limited Half Year Summary

For the six months ended 28 February 2022

This Half Year Summary is being published by UPP Bond 1 Limited ('The Group Agent') on behalf of UPP Bond 1 Holdings Limited ('HoldCo'), UPP Bond 1 Issuer Plc ('Issuer'), UPP (Alcuin) Limited, UPP (Broadgate Park) Holdings Limited, UPP (Kent Student Accommodation) Limited, UPP (Nottingham) Limited, UPP (Oxford Brookes) Limited, UPP (Exeter) Limited and UPP (Plymouth Three) Limited ('The AssetCos') (together the 'Obligors') pursuant to the Common Terms Agreement ('CTA').

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Disclaimer

Forward-looking statements

Unless otherwise stated, the figures in the Summary reflect the position as at 28 February 2022. In addition, the Summary contains forward-looking statements that reflect the current judgment of the management of the Obligors regarding conditions that it expects to exist in the future. Forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that will occur in the future and, accordingly, are not guarantees of future performance. Management's assumptions rely on its operational analysis and expectations for the operating performance of each Obligor's assets based on their historical operating performance and management expectations as described herein. Factors beyond management's control could cause events to differ from such assumptions and actual results to vary materially from the expectations discussed herein.

Investors are cautioned that the assumptions and forecast information included herein are not fact and should not be relied upon as being necessarily indicative of future results and are cautioned not to place undue reliance on such assumptions and forecast information. It should also be noted that the information in this Investor Report has not been reviewed by the Obligors' auditors.

Note on higher education sector

This document includes information derived from third-party reports or publicly available information. This information has not been independently verified and no representation is being made as to the accuracy, fairness and completeness. Notwithstanding, the third-party sources of information generally state that the information is derived from reliable sources.

This report is not intended as an offer for sale or subscription of, or solicitation of any offer to buy or subscribe, any security of UPP Bond 1 Issuer Plc or any other member of the UPP Group nor should it or any part of it form the basis of, or be relied on in connection with, any contract or commitment whomsoever.

Unless otherwise defined herein, capitalised terms have the meanings given in the Prospectus for the £5,000,000,000 multicurrency programme for the issuance of senior secured notes dated 5 March 2013 ('The Programme') and as updated on 1 December 2014.

Half year summary

1.0

General overview

GENERAL OVERVIEW

UPP Bond 1 Holdings Limited

UPP Bond 1 Holdings Limited results for the six months ended 28 February 2022

£'000	February 2022	February 2021	Change %
Turnover	35,241	33,804	4.3%
Gross profit	25,217	23,415	7.7%
EBITDA*	21,658	21,813	(0.7%)
EBITDA margin*	61.4%	64.5%	

*Earnings before interest, tax, depreciation and amortisation (EBITDA) before sinking fund expenditure. EBITDA also excludes release of non-cash provisions relating to Plymouth cladding works

Business highlights

- Occupancy for 2021/22 of 99.5% (2020/21: 96.8%)
- Turnover up by 4.3% to £35.2 million (2020/21: £33.8 million), reflecting RPI-linked annual term rental income increases and higher occupancy
- Gross profit increased to £25.2 million (2020/21: £23.4 million)
- EBITDA in line with expectations at £21.7m
- EBITDA margin of 61.4% (2020/21: 64.5%), reflecting cost variations required to complete one off works at Plymouth.
- Both Historic and Projected Senior Debt Service Coverage Ratios for February 2022 test date above lock-up triggers
- UPP (Kent Student Accommodation) Limited continues to report on the basis of the Level 2 Phase 1 Monitoring Trigger Event occurring during the academic year 2020/21 with subsequent enhanced reporting as required by the Monitoring Services Agreement
- At UPP (Plymouth Three) Limited, enhanced monitoring continues to progress effectively and additional investment in works to improve the quality of the AssetCo accommodation is having a positive impact on occupancy. During the reporting period the AssetCo has entered a building contract with Kier Construction Limited to undertake remedial cladding works.

GENERAL OVERVIEW

Elaine Hewitt
Chief Executive Officer

During the six months ending 28 February 2022 UPP Bond 1 Holdings Limited has continued to demonstrate strong performance, with occupancy rates returning to pre-pandemic levels. Over the period, turnover has increased 4.3 per cent from £33.8 million to £35.2 million. EBITDA fell marginally by 0.7 per cent to £21.7 million on the basis of cost variations required to complete additional one off works at the Plymouth AssetCo.

According to the Universities and Colleges Admissions Service (UCAS), data published as part of its January 2022 deadline, also continues to show sustained, long-term growth despite a slight decline in the total number of applicants to 610,720 (2021: 616,360). Particularly encouraging is the fact that the number of UK 18-year-olds applying to university has seen a consistent increase, with now nearly 45 per cent of this cohort applying – an increase of just under 15,000 to more than 320,000. Whilst increases in the number of 18-year-old applicants were identified across each of the four UK nations, English applicants, in particular, have grown by 19.4 per cent over the last five years, the equivalent of an extra 45,000 students at the same point in 2017.

Alongside this continuing strong demand, the number of students from outside the EU has also continued to perform well, compensating for a fall in applicant numbers from within the EU post-Brexit. Applicants from outside of the UK for 2022/23 remained steady at 111,000 having witnessed growth of 17.2 per cent over the last five academic years. International demand has proved the engine of much of this growth, with non-EU applicant numbers increasing by nearly two-thirds over the same period.

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

Whilst there remain a number of contingent risks to occupancy – disclosures on which are outlined in this summary – the Directors are of the opinion that a combination of mitigating activity undertaken by the Company; the capacity of universities to refocus their recruitment; and the credit positive elements of the Company's business model have the capacity to significantly ameliorate risks to occupancy. On this basis, it is expected that the current strong performance of UPP Bond 1 Holdings Limited will continue.

Enquiries

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

1.1. Summary of the UPP Group business

UPP Group (defined as UPP Group Holdings Limited and its subsidiaries) is the leading provider of on-campus student accommodation infrastructure and support services within the UK. We have approximately 35,000 rooms in operation or under construction through long-term partnerships with 15 world-leading universities, of which 11,693 are rooms operated by the AssetCos.

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

- An integrated service model for universities encompassing the funding, design, construction and operation of student accommodation
- A business model underpinned by long-term contracts (typically in excess of 40 years) with all partner universities
- Annual rent increases for the life of the project linked to the Retail Price Index ('RPI')
- Outside of London, a restrictive covenant regime that limits long-term competing university supply in order to maintain healthy demand dynamics
- Partnerships with leading institutions targeted on the basis of its own rigorous selectivity criteria
- Accommodation is always located on, or very near to, campus, which is the preferred location for target cohorts of first-year domestic and international undergraduate and postgraduate students
- Average occupancy over the last five years has been in excess of 99% across the AssetCos
- Credit and void risk is passed to the university partner
- UPP's accommodation is marketed at the agreed rent concurrent to, and at least on an even-handed basis with, a university's own stock
- An ability to pass certain cost increases related to utilities, insurances, changes in law and variations through to student rents to the extent that they are not covered by the annual RPI-linked uplift
- Facilities management costs are subject to periodic benchmarking exercises

1.2. Summary of bond issuance

On 5 March 2013, UPP Bond 1 Issuer Plc issued a £382.1 million secured bond listed on the Irish Stock Exchange. The bond was secured against the income from the properties at the University of York, the University of Nottingham, Nottingham Trent University, the University of Kent, Oxford Brookes University and the University of Plymouth ('the AssetCos'). UPP Bond 1 Holdings Limited is a wholly owned subsidiary of UPP Group and was initially set up to be the intermediate holding Company for the six AssetCos.

This issuance comprised two tranches:

- £307.1 million 4.9023% amortising fixed-rate bond due 2040
- £75.0 million 2.7921% amortising index-linked bond due 2047

On 9 December 2014, the Group acquired UPP (Exeter) Limited from UPP Group Limited. On the same day, UPP Bond 1 Issuer Plc issued a new tranche of £149.7 million 1.037% amortising index-linked secured notes, listed on the Irish Stock Exchange. These funds were on-lent to UPP (Exeter) Limited to enable that Company to repay its bank facilities and associated costs. This tranche is due 2049.

Proceeds of both issuances, along with a tranche of unsecured subordinated debt, were utilised to:

- Repay existing senior bank facilities owed by the seven AssetCos
- Fund the payment of break costs crystallised on the termination of the interest rate and RPI hedging arrangements in place with the current bank funders
- Prefund a debt service reserve account for the new bond issuance
- Purchase minority interest shareholdings held by two of the university partners in the relevant AssetCos
- Fund the costs associated with the transaction

Interest and principal repayments are due in February and August each year.

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

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

2.0

Trading update

TRADING UPDATE

Business developments

2.1. Business Developments

The results for the six months ended 28 February 2022 continue to demonstrate the resilience of the UPP business model, which delivers returns based on stable, long-term, RPI-linked revenues.

The principal activities of the Group during the six months continue to be the development, funding, construction, and operation – including Facilities Management (FM) – of student accommodation. While the wider UPP Group has continued to deliver new accommodation with existing partners, increasing the number of operational beds under management, there have been no additions to the UPP Bond 1 portfolio in the reporting period.

During the period, UPP Bond 1 Holdings Limited ('the Company') saw turnover increase by 4.3 per cent to £35.2 million (2020/21: £33.8m) with contractual rental increases being applied across the Bond portfolio. Gross profit also grew to £25.2 million, with the Company maintaining a healthy EBITDA margin of 61.4 per cent. The operational performance remained strong following the gradual easing of Covid-19 restrictions with the Bond 1 portfolio achieving 99.5 per cent occupancy during the six months and with all Term One and Two rents received from university partners as due and in full.

UPP began the 2021/22 academic year with a successful student intake across the portfolio, and this included the opening of the final phase of accommodation at East Park, University of Exeter. Residents moved into a further 578 new ensuite rooms on the University's Streatham Campus, following the earlier completion of 604 new rooms which opened in September 2020. UPP now operate more than 4,100 rooms in partnership with the University, having procured more than £300m of investment over the last decade. The completion of East Park boosts UPP's portfolio to nearly 35,000 rooms in operation through long-term, bespoke partnerships with 15 UK universities.

In October, UPP successfully started delivering first-line reactive maintenance services to Keynes and Turing Colleges at the University of Kent. Under the agreement, which will remain in place for the remainder of the existing partnership into the 2060s, all reactive maintenance services are now delivered by UPP Residential Services. This extends the arrangement already in place at Woolf College and this services extension has resulted in a more streamlined process for students to report faults and receive support as they now have a single point of contact for all reactive maintenance issues through the Company's student app home@halls.

In the six months to 28 February 2022, the Company continued to support the sector's recovery post-Covid, with its continuing support for the UPP Foundation – the independent charity that aims to tackle the biggest issues facing the higher education sector across the UK. Following the launch of its new strategy in November, the Foundation concluded its Student Futures Commission initiative which launched in March 2021. The objectives of the Commission were to ensure students are supported to succeed after the pandemic, to gather insights and learnings from across the HE sector, and to make practical recommendations to Government and others for the academic year 2021/22 onwards. In its final report published in February 2022, the Commission which was chaired by the former CEO of UCAS Mary Curnock-Cook, called for joint action between universities and students, to develop individual Student Futures Manifestos to improve the living and learning experience of students.

The Group has continued its focus on long-term strategic management of assets under operation, including full defects management. The Directors continue to review opportunities for additional equity investment in the AssetCos to enhance the accommodation offering as these plans are developed further, the Directors will engage with the Monitoring Adviser as and appropriate. In terms of the performance of individual AssetCos for the six months to 28 February 2022, the Company continues to manage the following issues;

UPP (Kent Student Accommodation) Limited

A Level 2 Phase 1 Monitoring Trigger Event was triggered during academic year 2020/21, with subsequent enhanced reporting as required by the Monitoring Services Agreement. The enhanced monitoring was triggered by a fall in occupancy, which was largely attributed to a decline in postgraduate enrolments at the University – a cohort subject to greater demand elasticity than UK undergraduate numbers – as a result of the COVID-19 pandemic.

The University of Kent nominated the accommodation to a level of 98% for the academic year 2021/22. The AssetCo was 100% occupied for the academic year

UPP (Plymouth Three) Limited

At UPP (Plymouth Three) Limited, enhanced monitoring in relation to the AssetCo, conducted since 1 September 2019, continues to progress effectively. This has been underway following the decision to transfer an exceptional £2.9 million to the Maintenance Reserve Account as an investment into the portfolio and the occurrence of a Trigger Level 2, Phase 1 Monitoring Trigger Event. The additional investment in these works to improve the quality of the AssetCo accommodation is having a positive impact on occupancy, which has continued to improve – reporting 97.8% for the financial year 2019/20 and 99.7% for 2020/21. For the current financial year 2021/22 99.9% occupancy was achieved.

During 2020, intrusive survey works identified defects in the cladding on the Francis Drake hall of residence at the AssetCo. Temporary remedial works were completed prior to students arriving to ensure that the building was safe for occupation. During the period covered by this report, the AssetCo has entered into a building contract with Kier Construction Limited to undertake the required cladding remedial works. Conditional consent for the works were set out in a Monitoring Adviser Recommendation dated 23 December 2021 and subsequent, related recommendations dated 25 February 2022 and 31 March 2022. These works are due to complete during the summer of 2022 and are subject to enhanced monitoring by the Monitoring Adviser (including the provision of monthly reports).

2.2. General Overview

UK higher education (HE) continues to see strong rates of academic demand both domestically and from overseas. The recent UCAS report 'Where Next: the experience of international students connecting to UK higher education' published in January 2022, identified that nearly 9 out of 10 international students find the UK a positive place to study. Students noted that the UK fulfils key criteria relating to learning, living and employability. Surveys conducted throughout the recent pandemic also identify that 77 per cent of students applied to UK institutions on the basis of its strong academic reputation, while over half (53 per cent) said the UK's diversity, multicultural experience, and the welcome they expected to receive were key reasons they applied.

UCAS data for the end of the 2021 application cycle identified that in total 606,645 people across the UK applied to universities in 2021/22, an increase of 5 per cent on 2020, with 492,005 accepted (+1 per cent). As the 18-year-old population continues to increase, 7 per cent more UK 18-year-olds were placed (27,235 up from 257,895 in 2020). Of those gaining a place, 81 per cent secured their first-choice university or college (up from 76 per cent). Overall, 38.3 per cent of UK 18-year-olds gained a place in 2021 (up from 37 per cent in 2020 and 34.1 per cent in 2019).

Continuing with the Centre Assessment Grade approach to student evaluation, the number of applicants achieving the top A level grades almost doubled compared to 2020 to 19,595 from 12,735 – a near quadrupling from pre-pandemic levels (5,655 in 2019). As a result, more than 103,000 UK young people were accepted at higher tariff providers (those requiring in excess of 154 UCAS points) – up 11 per cent from 92,650 in 2020.

Internationally, whilst a total of 142,925 people of all ages applied (-5 per cent on 2020), acceptances were up 1 per cent year on year to 70,005. This movement was composed of 111,255 people from outside the EU, an increase of 12 per cent, with 54,030 accepted (+2 per cent). In terms of EU applicants, as predicted by post-Brexit modelling, 31,670 people applied, a large fall of 40 per cent with 16,025 accepted (-50 per cent). Unconditional offer-making fell from a high of 15.7 per cent of all offers made in 2020 to 3.3 per cent in 2021, with 'conditional unconditional offers' all but eliminated within this cycle.

In the most recent applicant data for the 2022/23 cycle, published in February, UCAS identified that the emerging data continues the underlying message of sustained, long-term growth despite a slight decrease in the total number of applicants. The data evidenced strong demand from young people in the UK, coupled with enduring international appeal. UCAS noted that its recent optimistic forecast for a million applicants per annum by 2026 appeared very much on track.

In headline terms, applicant numbers from the UK are marginally down at 1 per cent, however, relative to comparable data from last year's cycle, numbers of UK 18-year-old applicants have jumped by just under 15,000, to more than 320,000. This means that for the first time at this point of an application cycle, nearly 45 per cent of all young people in the population are applying (43.4 per cent in 2022, compared to the previous record of 42.6 per cent in 2021).

2.2. General Overview (continued)

Increases in the number of 18-year-old applicants were identified across each of the four UK nations. English applicants, in particular, have grown by 19.4 per cent over the last five years, the equivalent of an extra 45,000 students at the same point in 2017. Clearly, this is welcome news for UPP as 1st year full-time undergraduate students are the core demand cohort for its accommodation and approximately 80 per cent of these students will wish to study away from home.

Fuelled by both the continual attractiveness of undergraduate study and on-going population increases over the next decade, UCAS is also anticipating that the number of home (UK) students applying each year directly from school or college will increase by around 25,000 for the next few cycles. The latest data identifies just over 320,000 UK students applying for a place and UCAS expect this to surpass 400,000 by 2026.

Alongside the growth in young applicants in the UK, there is a continued trend of strong demand from young international applicants. Though EU applications are falling – as widely expected since the UK's departure from the EU (albeit that Ireland noticeably bucks the trend again this year, up five per cent to 5,100 applicants) – the volume from outside of the EU compensates for this, maintaining total international applicants at just over 111,000.

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2.2. General Overview (continued)

Over the last five years international applicant numbers have increased by 16,700 students or 17.2 per cent, with the UK maintaining its position as the most popular university study destination globally outside of the United States. Of this figure 88 per cent of applicants were 18 years old – once again identifying the pervasiveness of the three-year residential model across the World.

Applicant numbers from students applying from outside the EU have proved to be the real engine of growth in international numbers in recent years. Over the last five academic years the number of non-EU applicants have increased by nearly 38,000 or 63.7 per cent. The data also suggests that 18-year-olds as a component part of this domicile cohort is also on the increase. In 2017, 18-year-olds represented 42 per cent of this group, however, by 2022 this had increased to over 47 per cent.

In terms of the origin of this demand, January's data identifies that China (up 12.1 per cent, to almost 29,000) and India (up 10.7 per cent, to reach 8,660) are once again both the largest applicant markets and have seen notable upticks in demand. The most substantial proportional increases come from Nigeria (up 46.9 per cent) and Canada (up 17.8 per cent), with both countries having approximately 2,400 applicants so far this year. Singapore and Malaysia are also bouncing back after falls in recent years – up 6.9 per cent and 5.4 per cent respectively – and have over 3,000 applicants each, returning to levels seen around five years ago.

Applicants for all courses by domicile group (January 2022 deadline)

App. Domicile	2017	2018	2019	2020	2021	2022
England	385,870	374,440	373,740	373,860	415,470	416,400
Northern Ireland	19,479	18,530	17,910	17,400	18,780	17,750
Scotland	44,530	44,900	43,340	42,530	49,360	44,140
Wales	19,620	19,100	18,850	18,430	21,120	21,020
UK	**469,490**	**457,070**	**453,840**	**452,220**	**504,740**	**499,310**
EU (excluding UK)	42,070	43,510	43,890	43,030	25,740	20,820
Non-EU	52,630	58,450	63,690	73,080	85,890	90,590
Total	**564,190**	**559,030**	**561,420**	**568,330**	**616,360**	**610,720**

Source: UCAS

UCAS are projecting that non-EU applicant numbers will continue their upward trajectory in the coming cycles – increasing by almost two-thirds, to be a significant factor in reaching a million overall applicants by the middle of the current decade.

They will also be a key element in maintaining the International Education Strategy's ambition on a sustainable 600,000 total international students (undergraduate and postgraduate) in the UK through to 2030.

On the basis of this evidence, it appears that demand for UK HE and, in particular, the three year on-campus, residential model of delivery, will remain strong. This should maintain the robust levels of demand for the accommodation operated by the individual AssetCos, within UPP Bond 1 Limited, witnessed to date. UPP is therefore well placed to benefit from current and future market dynamics.

3.0

Financial highlights

For the six months ended 28 February 2022

FINANCIAL HIGHLIGHTS

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

- Occupancy of 99.5% achieved across the seven AssetCos
- Turnover of £35.2 million, up 4.3% on a like-for-like basis
- EBITDA before sinking fund of £21.7 million
- Healthy cash balance of £52.7 million, made up largely of liquidity reserve accounts and amounts payable to the holder of subordinated loan notes

For the period from 1 September 2021 through to 28 February 2022, the Bond portfolio has performed in line with expectations. The historic Average Debt Service Coverage Ratio (ADSCR) of 1.17 for the 12-month period to 28 February 2022 was above lock-up triggers set at 1.15.

Occupancy for the 2021/22 academic year has been secured at 99.5% across the portfolio. As such, rental receipts are now fixed for the year – as are the majority of costs. The Company has largely fixed utilities cost for the financial year 2021/22 and, going forward, each AssetCo maintains the capacity to pass increases in utilities through to rents, albeit subject to demand and market conditions.

3.1. AssetCo Consolidated Profit and Loss Account

	Feb 2022	Feb 2021	Change %
	£'000	£'000	
Turnover	35,241	33,804	4.3
Cost of sales	(10,024)	(10,389)	(3.5)
Gross profit	25,217	23,415	7.7
Gross profit margin	*71.6%*	*69.3%*	
Overheads	(3,559)	(1,601)	122.3
EBITDA before sinking fund expenditure	21,658	21,814	(0.7)
EBITDA margin	61.4%	64.5%	
Sinking fund expenditure	(827)	(695)	18.9
EBITDA*	20,831	21,119	(1.4)

* EBITDA excludes release of non-cash provisions relating to Plymouth cladding works

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Turnover is defined as rental receipts from students net of contractual amounts deducted by university partners for taking credit and void risk, incentives offered to returning students, plus commercial and vacation income derived from other activities at each AssetCo and any payments or receipts under the relevant inflation-linked swaps.

Turnover increased by 4.3% on a like-for-like basis, primarily due to contractual rental increases and higher occupancy with gross profit up 7.7 per cent on the basis of a one-off release of utility accruals. For the six months ended 28 February 2022, occupancy was 99.5%. Turnover for the period is £35.2 million.

Cost of sales is made up of facilities management and employee costs, utilities and internet access costs which decreased by 3.5% to £10.0 million (2021: £10.4 million). Facilities management costs and employee costs are subject to RPI led increases.

Overheads have increased to £3.6 million (2020: £1.6 million) explained by additional cost variations expenditure for cladding works at Plymouth and water ingress costs at Exeter.

In total, EBITDA before sinking fund decreased by 0.7% to £21.7 million (2021: £21.8 million).

3.2. Sinking fund and operational performance

Sinking fund costs consist of items throughout the accommodation that reach the end of their economic life and require replacement. Whilst sinking fund expenditure is highly predictable and modelled in line with the relevant replacement period for each item, it is not necessarily comparable from one year to the next. Accordingly, the amount charged to the Profit and Loss account, while visible, can vary substantially between years and, as such, EBITDA before sinking fund expenditure is the preferred key performance indicator.

FM services are provided by UPP's 100%-owned subsidiary, UPP Residential Services Limited (URSL). Services are delivered to a high level to ensure the continued attractiveness of the accommodation and to maximise occupancy for future years.

This targeting of high service levels is reflected in the performance of the FM provider. During the financial year ended 31 August 2021, URSL suffered no deductions for unavailability or poor performance and this reflects the high standards set in previous years.

Sinking fund expenditure is managed by URSL. In total in 2021, £7.9m (2020: £3.8m) was invested by the AssetCos including additional investment to maintain the quality of the accommodation and secure long-term demand, including the works at Plymouth described below.

During 2020, intrusive survey works identified defects in the cladding on the Francis Drake hall of residence at the AssetCo. Temporary remedial works were completed prior to students arriving to ensure that the building was safe for occupation. During the period covered by this report, the AssetCo has entered into a building contract with Kier Construction Limited to undertake the required cladding remedial works. Conditional consent for the works were set out in a Monitoring Adviser Recommendation dated 23 December 2021 and subsequent, related recommendations dated 25 February 2022 and 31 March 2022. These works are due to complete during the summer of 2022 and are subject to enhanced monitoring by the Monitoring Adviser (including the provision of monthly reports).

Investigations and surveys are ongoing across the rest of the portfolio and could result in further remediation works being necessary.

4.0

Ratio calculations

As set out in Paragraph 2 of Part 2 of Schedule 9 of the CTA, the ratio calculations as at 28 February 2022 are:

4.1. Historic Senior DSCR (for the 12 months to 28 February 2022)

£'000	Consolidated
Turnover	69,243
Cost of sales	(19,505)
Overheads	(5,871)
EBITDA pre-sinking fund	**43,867**
Sinking fund	(7,360)
EBITDA	**36,507**
CAFDS adjustment[1]	(1,058)
CAFDS	35,449
Debt service	30,271
Historic Senior DSCR	**1.17**

4.2. Projected Senior DSCR (for the 12 months to 28 February 2023)

£'000	Consolidated
Turnover	72,604
Cost of sales	(20,694)
Overheads	(4,612)
EBITDA pre-sinking fund	**47,298**
Sinking fund	(4,565)
EBITDA	**42,733**
CAFDS adjustment[1*]	(941)
CAFDS	41,792
Debt service	30,708
Projected Senior DSCR[2]	**1.36**

4.3. Historic AssetCo DSCR

UPP (Alcuin) Limited	1.25
UPP (Broadgate Park) Holdings Limited	1.22
UPP (Kent Student Accommodation) Limited	0.92
UPP (Nottingham) Limited	1.23
UPP (Oxford Brookes) Limited	1.22
UPP (Plymouth Three) Limited	0.59
UPP (Exeter) Limited	1.43

4.4. Projected AssetCo DSCR

UPP (Alcuin) Limited	1.43
UPP (Broadgate Park) Holdings Limited	1.42
UPP (Kent Student Accommodation) Limited	1.61
UPP (Nottingham) Limited	1.43
UPP (Oxford Brookes) Limited	1.39
UPP (Plymouth Three) Limited*	0.95
UPP (Exeter) Limited	1.41

[1] The Cash Available for Debt Service (CAFDS) adjustment adds back sinking fund expenditure and deducts the sinking fund deposit to get to the net sinking fund cash position in the year. Interest receivable is added to get to the final CAFDS figure and the figure also incorporates one off Plymouth spend as described below.

[2] Ratios are calculated using an Oxford Economics inflation forecast of 5.3%.

* Historic and Projected Senior AssetCo DSCR calculations include a significant projected spend on remedial works of £4.7m at UPP (Plymouth Three) Limited. This relates to works that are being undertaken between 1 March 2021 and 31 August 2022.

Compliance Certificate

To: U.S. Bank Trustees Limited as Issuer Security Trustee, the Issuer Note Trustee and Cash Administrator and any Private Placement Noteholder (or its representative)

c.c. Bishopsfield Capital Partners Ltd as Monitoring Adviser

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

Date: 28 April 2022

Dear Sirs

Common Terms Agreement dated 5 March 2013 between, among others, the Issuer, the AssetCos, the Issuer Security Trustee and the Issuer Note Trustee (the "CTA")

Capitalised terms not defined in this certificate have the meaning given to them in the CTA.

1. We refer to the CTA.

2. This is a Compliance Certificate delivered by the Issuer and the Group Agent pursuant to paragraph 7.3 of Part 1 of Schedule 6.

3. We confirm that the ratios (together the "Ratios") contained herein are as detailed in the table below.

	12 months ended 28 February 2022	
Historic Ratios	**Applicable Ratio**	**Actual Ratio**
Historic AssetCo DSCR		
UPP (Alcuin) Limited	1.15	1.25
UPP (Broadgate Park) Limited	1.15	1.22
UPP (Kent Student Accommodation) Limited	1.15	0.92
UPP (Nottingham) Limited	1.15	1.23
UPP (Oxford Brookes) Limited	1.15	1.22
UPP (Plymouth Three) Limited	1.15	0.59
UPP (Exeter) Limited	1.15	1.43
Historic Senior DSCR	1.15	1.17

Projected Ratios	Projected for Relevant Calculation Period/Date	
	Applicable Ratio	Actual Ratio
Projected AssetCo DSCR		
UPP (Alcuin) Limited	1.15	1.43
UPP (Broadgate Park) Limited	1.15	1.42
UPP (Kent Student Accommodation) Limited	1.15	1.61
UPP (Nottingham) Limited	1.15	1.43
UPP (Oxford Brookes) Limited	1.15	1.39
UPP (Plymouth Three) Limited	1.15	0.95
UPP (Exeter) Limited	1.15	1.41
Projected Senior DSCR	1.15	1.36

4. We confirm that the historic ratios have been calculated using the most recently available audited financial information required to be provided by the relevant AssetCo under Schedule 8 (Covenants of the AssetCos) of the CTA and delivered together with this Compliance Certificate.

5. We confirm that all forward-looking financial ratio calculations and projections:

   (a) have been made on the basis of assumptions made in good faith and arrived at after due and careful consideration;

   (b) are consistent and updated by reference to the most recently available financial information required to be produced by the AssetCos under Schedule 8 (Covenants of AssetCos) to the CTA and delivered together with this Compliance Certificate;

   (c) are consistent with the Accounting Standards (insofar as such Accounting Standards reasonably apply to such calculations and projections); and

6. We set out below the computation of the following Ratios set out in Paragraph 2 above for your information:

   (a) Historic AssetCo DSCR means, in respect of any AssetCo as at the Test Date, the ratio of:

      i. the aggregated Net Cash Flow in respect of such AssetCo for the 12 months (the “Test Period”) ended on 28 February 2022 (the “Test Date”); to

      ii. the AssetCo Debt Service Requirement in respect of such AssetCo for the Test Period ended on the Test Date.

   (b) Historic Senior DSCR means, as at the Test Date, the ratio of:

      i. the aggregated Net Cash Flow in respect of all AssetCos for the Test Period ended on the Test Date; to

      ii. the aggregated AssetCo Debt Service Requirement in respect of all AssetCos for the Test Period ended on the Test Date.

   (c) Projected AssetCo DSCR means, in respect of any AssetCo as at the Test Date, the ratio of:

      i. the aggregated Net Cash Flow in respect of such AssetCo projected for the Test Period following the Test Date; to

      ii. the AssetCo Debt Service Requirement of such AssetCo projected for the Test Period immediately following the Test Date.

(d) Projected Senior DSCR means, as at the Test Date, the ratio of:

i. the aggregated Net Cash Flow in respect of all AssetCos projected for the Test Period immediately following the Test Date; to

ii. the aggregated AssetCos Debt Service Requirement in respect of all AssetCos projected for the Test Period immediately following the Test Date.

7. We also confirm that:

(a) to the best of the knowledge and belief of the signatories to this Compliance Certificate having made all due enquiries, no Default has occurred and is continuing other than as previously notified or waived.

(b) to the best of the knowledge and belief of the signatories to this Compliance Certificate having made all due enquiries, no Monitoring Trigger Event has occurred and is continuing with the exception of the Plymouth AssetCo Monitoring Trigger Event and the Kent AssetCo Monitoring Trigger Event (both of which are continuing).

With regard to the Plymouth AssetCo, the Trigger Level 2, Phase 1 Monitoring Trigger Event (notified on 31 August 2019) is ongoing, and the following steps are being taken to remedy the referenced Monitoring Trigger Event:

- Remedial plans setting out the cure period and measurable milestones (the “Plymouth Remedial Plans”) have been implemented in full consultation with the Monitoring Adviser in line with the provisions in the CTA.
- The Plymouth AssetCo and ParentCo are continuing to ensure that the milestones outlined in the Plymouth Remedial Plans are achieved and that, where the Monitoring Adviser has sought clarifications, these are actioned accordingly.
- The Plymouth AssetCo is continuing to provide quarterly reports to the Monitoring Adviser outlining its actual performance against the agreed performance objectives set out in the Plymouth Remedial Plans. The Monitoring Adviser in turn, is continuing to provide its quarterly review reports stating its views and analysis of the Trigger Level 2, Phase 1 Monitoring Trigger Event as required. These reports are available per the notifications to the Noteholders dated 31 August 2021.
- The Monitoring Adviser undertook a site visit in in April 2022 to review some of the remedial works and spoke with representatives of the University of Plymouth in February 2022.

With regard to the Kent AssetCo, the Trigger Level 2, Phase 1 Monitoring Trigger Event notified in November 2020 is ongoing, and the following steps are being taken to remedy the referenced Monitoring Trigger Event:

- A remedial plan setting out the cure period and measurable milestones (the “Kent Remedial Plan”) has been implemented in full consultation with the Monitoring Adviser in line with the provisions in the CTA.
- The Kent AssetCo provided its first quarterly report to the Monitoring Adviser on 2 March 2021 outlining actual performance against the agreed performance objectives set out in the Kent Remedial Plan. The Monitoring Adviser has since, provided its quarterly review report stating its views and analysis of the Trigger Level 2, Phase 1 Monitoring Trigger Event as required. This report is available per the notification to the Noteholders dated 26 March 2021.
- The Kent AssetCo will continue to provide quarterly reports to the Monitoring Adviser outlining its actual performance against the agreed performance objectives set out in the Kent Remedial Plan. The Monitoring Adviser attended a site visit in the autumn of 2021.

(c) to the best of the knowledge and belief of the signatories to this Compliance Certificate having made all due enquiries, no Lock-Up Event has occurred and is continuing. No Distribution is permissible until, at the earliest, August 2022 as a condition of the February and March MA Proposal Requests being granted;

(d) to the best of the knowledge and belief of the signatories to this Compliance Certificate having made all due enquiries, the Group is in compliance with the Hedging Policy; and

(e) this Compliance Certificate is accurate in all material respects.

Yours faithfully

Elaine Hewitt
Director

Henry Gervaise-Jones
Director

For: UPP Bond 1 Limited (as Group Agent)
UPP Bond 1 Issuer Plc (as Issuer)

Unaudited consolidated financial statements

For the six months ended 28 February 2022

Unaudited consolidated financial statements

For the six months ended 28 February 2022

Basis of reporting

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

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

Group income statement

For the six months ended 28 February 2022

	Notes	**Unaudited Six months ended 28 February 2022**	Unaudited Six months ended 28 February 2021 (restated*)
		£'000	£'000
Turnover	5	**35,241**	33,804
Cost of sales		**(10,024)**	(10,389)
Gross profit		**25,217**	23,415
Operating expenses		**(8,811)**	(6,487)
Reversal of provisions	17	**1,943**	-
Operating profit	7	**18,349**	16,928
Interest receivable and similar income	9	**59**	140
Interest payable and similar charges	10	**(44,451)**	(30,225)
Loss on ordinary activities before taxation		**(26,043)**	(13,157)
Tax credit/(charge) on loss on ordinary activities	11	**-**	-
Loss for the financial period		**(26,043)**	(13,157)

The above results all relate to continuing operations.

*Prior year restatement is disclosed in note 23.

Group statement of comprehensive income

For the six months ended 28 February 2022

	Unaudited Six months ended 28 February 2022	Unaudited Six months ended 29 February 2021 (restated**)
	£'000	£'000
Loss for the financial year	**(26,043)**	(13,157)
Fair value movements on RPI swaps	**(14,459)**	794
Re-measurement (loss)/gain recognised on defined benefit pension scheme*	**-**	-
Total other comprehensive loss	**(14,459)**	794
Total comprehensive loss for the period	**(40,052)**	(12,363)

*year end adjustment only

**Prior year restatement is disclosed in note 23.

Group statement of changes in equity

For the six months ended 28 February 2022

Attributable to owners of the Parent

	Share capital	Year ended 31 August 2021	Cash flow hedge reserve	Profit and loss account (restated*)	Total equity
	£'000	£'000	£'000	£'000	£'000
At 1 September 2020	55,570	43,599	(9,937)	(177,526)	(88,294)
Loss for the financial period	-	-	-	(13,157)	(13,157)
Other comprehensive income	-	-	794	-	794
Balance at 29 February 2021	55,570	43,599	(9,143)	(190,683)	(100,657)
At 1 March 2021	55,570	43,599	(9,143)	(190,683)	(100,657)
Loss for the financial period	-	-	-	(25,751)	(25,751)
Transfer to profit & loss account	-	(740)	-	740	-
Other comprehensive income	-	4,164	(9,203)	231	(4,808)
At 31 August 2021	55,570	47,023	(18,346)	(215,463)	(131,216)
At 1 September 2021	55,570	47,023	(18,346)	(215,463)	(131,216)
Loss for the financial period	-	-	-	(26,043)	(26,043)
Other comprehensive income	-	-	(14,459)	-	(14,459)
Balance at 28 February 2022	**55,570**	**47,023**	**(32,805)**	**(241,506)**	**(171,718)**

*Prior year restatement is disclosed in note 23.

Group statement of financial position

As at 28 February 2022

	Notes	**Unaudited 28 February 2022 £'000**	Unaudited 28 February 2021 (restated*) £'000
Fixed assets			
Intangible assets	12	**111,384**	115,326
Tangible assets	13	**569,246**	569,480
		680,630	684,806
Current assets			
Debtors: amounts falling due within one year	14	**4,833**	4,084
Debtors: amounts falling due after one year		**-**	-
Cash at bank and in hand		**52,734**	52,985
		57,567	57,069
Creditors: amounts falling due within one year	15	**(34,090)**	(36,205)
Net current assets		**23,477**	20,864
Total assets less current liabilities		**704,107**	705,670
Creditors: amounts falling due after more than one year	16	**(871,770)**	(804,168)
Net assets excluding pension liability		**(167,663)**	(98,498)
Provisions for liabilities	17	**(4,055)**	(2,159)
Net liabilities		**(171,718)**	(100,657)

Company registration number: 08253967

Group statement of financial position (conitnued)

	Notes	**Unaudited 28 February 2022**	Unaudited 28 February 2021 (restated*)
		£'000	£'000
Share capital and reserves			
Called-up share capital	18	**55,570**	55,570
Revaluation reserve		**47,023**	43,599
Cash flow hedge reserve		**(32,805)**	(9,143)
Profit and loss account		**(241,506)**	(190,683)
		(171,718)	(100,657)

*Prior year restatement is disclosed in note 23.

Group statement of cash flows

For the six months ended 28 February 2022

	Notes	**Unaudited Six months ended 28 February 2022**	Unaudited Six months ended 28 February 2021
		£'000	£'000
Net cash flow inflow from operating activities	19(a)	**19,694**	30,846
Investing activities			
Interest received		**59**	140
Interest paid		**(8,648)**	(10,431)
Net cash flow from investing activities		**11,105**	(10,291)
Financing activities			
Cash outflow from repayment of fixed-rate debt		**(6,581)**	(6,133)
Cash outflow from repayment of index-linked debt		**(2,783)**	(2,680)
Net cash flow from financing activities		**(9,364)**	(8,813)
Increase in cash and cash equivalents		**1,741**	11,742
Cash and cash equivalents at 1 September 2021		**50,993**	41,243
Cash and cash equivalents at 28 February 2022	19(b)	**52,734**	52,985

Notes to the unaudited consolidated financial statements

For the six months ended 28 February 2022

1. Company information

UPP Bond 1 Holdings Limited is a limited liability company incorporated in England. The registered office is 12 Arthur Street, London, EC4R 9AB.

2. Basis of preparation

These interim financial statements have been prepared in accordance with The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for all derivative instruments and revaluation of fixed assets as specified in the accounting policies below.

The financial statements are presented in Sterling (£) which is the Group's functional currency, rounded to the nearest thousand.

Basis of consolidation

The non-statutory consolidated financial statements consolidate the financial statements of UPP Bond 1 Holdings Limited and its subsidiaries using the acquisition method from the date control passes to the Group.

The Directors consider the acquisition of subsidiary undertakings by way of a share for share exchange and cash purchase of minorities from the Parent Company on 5 March 2013 and 9 December 2014 a series of transactions and not individual transactions.

On this basis, the Directors have concluded that acquisition accounting must be applied as overall the series of transactions do not qualify for merger accounting and have prepared these financial statements accordingly.

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

Going concern

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 2023, modelling a severe but plausible downside scenario which demonstrates that the Group is expected to have sufficient funds to meet their 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 2021/22 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 2021/22 year is considered 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.

3. Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to exercise judgement in applying the Group's accounting policies. It also requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenses. However, the nature of estimation means that actual outcomes could differ from those estimates.

Estimates and assumptions are reviewed on an ongoing basis, with revisions recognised in the period in which the estimates are revised and in any future periods affected.

The areas involving the most sensitive estimates and assumptions that are significant to the financial statements are set out below:

Revaluation of the principal assets

The Group has adopted a policy to revalue the principal assets every five years, with an interim valuation performed in year three of the cycle and in other years if there is evidence that the value has changed significantly. The Group engages independent valuation specialists to determine the fair value of the assets every five years, with a Directors' valuation performed at any other interim period. The valuation technique employed by both the independent valuers and Directors is based on a discounted cash flow model, as there is a lack of comparable market data due to the specific nature of the property assets. The determined fair value of the principal assets is most sensitive to the estimated rental growth and discount rate, as well as the long-term occupancy rates.

Valuation of RPI swaps

UPP Bond 1 Issuer Plc, one of the Group companies, entered into derivative financial instruments, being RPI swaps, to manage the Group's exposure to RPI.

In estimating the fair value of the RPI swaps, the Group 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, which are subjective in nature and require significant judgement. In adjusting the fair value of its derivative contracts for the effect of non-performance risk, the Group has considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts, and guarantees.

Goodwill useful economic life

The Group establishes a reliable estimate of the useful economic life of goodwill arising on business combinations. Goodwill attributed to subsidiary undertakings is amortised on a straight-line basis over the remaining lease period on the principal asset held by each subsidiary. This period of amortisation represents the period over which each subsidiary undertaking acquired will continue to generate operating cash flows. For further details refer to note 12.

Impairment of non-financial assets

The Group assesses at each reporting date whether an asset may be impaired. If any such indication exists, the Group estimates, recoverable amount of the asset. If it is not possible to estimate the recoverable amount of the individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable amount is less than its carrying amount, the carrying amount of the asset is impaired and it is reduced to its recoverable amount through impairment in profit and loss unless the asset is carried at a revalued amount where the impairment loss of a revalued asset is a revaluation decrease.

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

Defined benefit pension scheme

The cost of defined benefit pension plans and other post-employment medical benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long-term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of high-quality corporate bonds in the respective currency, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables. Future salary increases and pension increases are based on expected future inflation rates.

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

Presentation of the principal asset

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

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

Each year the Group applies judgement in assessing the status of these interests in accordance with the provisions of FRS 5 (Application Note F), assessing the balance of the significant risks and rewards of ownership of the asset. The appropriate balance sheet treatment of these interests is to treat the asset as a finance receivable asset, where the Company does not have the majority of significant risks and rewards. Where it does, the asset is treated as a tangible fixed asset.

The Directors consider the balance of the risks and rewards lies with the Group and, therefore, the assets are treated as tangible fixed assets.

Classification of index-linked financial instruments

The Group's index-linked senior secured notes are fully amortising, with both principal repayments and real interest adjusted semi-annually by the change in the RPI index. Management has concluded that, despite both principal and interest being linked to RPI, these links are not leveraged because both principal and interest repayment obligations change in the same proportion and, therefore, the condition in paragraph 11.9(a) and (aA) is met and the Group's index-linked financial instruments are classified as basic and carried at amortised cost.

Hedge accounting for inflation swaps

The Group has chosen to apply hedge accounting for all hedging instruments which are in a qualifying hedging relationship under FRS 102 Section 12. Significant judgement is exercised in concluding that future inflationary increases or decreases in rent receivable from university partners are separately-identifiable and reliably-measurable components of the rental income, which ensures the inflation component of rental income and the related RPI swaps are in a hedging relationship which meets the qualifying criteria for hedge accounting under Section 12 of FRS 102.

4. Principal accounting policies

a) Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is calculated so as to write off the cost of the tangible fixed assets, less any residual value, over the expected useful economic lives of the assets concerned once construction is complete. The principal rates of depreciation used for this purpose are: Assets for use in operating leases – annuity method over the term of the lease.

The economic benefit of the principal assets for use in operating leases is the return on assets invested into the financing arrangement with the relevant university. The annuity method takes into

account the cost of capital notionally invested in the principal asset. Notional interest calculated using the relevant Group's actual weighted cost of capital and depreciation combined will give an approximately constant charge to revenue.

The Group has adopted a policy to revalue the principal asset every five years with an interim valuation performed in year three of the cycle and in other years if there is evidence that the value has changed significantly. The movement in fair value is recognised in other comprehensive income and accumulated in equity in a revaluation reserve, except that a deficit which is in excess of any previously recognised surplus over depreciated cost relating to the same property, or the reversal of such a deficit, is charged to the profit and loss account. A deficit which represents a clear consumption of economic benefits is charged to the profit and loss account regardless of any such previous surplus.

Where depreciation charges are increased following a revaluation, an amount equal to the increase is transferred annually from the revaluation reserve to the profit and loss account as a movement on reserves.

At each reporting date the Group assesses whether there is any indication of impairment.

If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

b) Turnover

Rent receivable is recognised on straight line basis of the amount receivable in respect of the rental period. Amounts received in advance are included within deferred income.

c) Intangible assets

Goodwill arising on acquisition of subsidiary undertakings is the difference between the fair value of consideration paid and the fair value of the net assets acquired from the date that control passes

Goodwill attributed to the subsidiary undertakings is amortised on a basis over the remaining lease period on the principal asset held by each subsidiary.

This period of amortisation is greater than 20 years but represents the period over which each subsidiary undertaking acquired will continue to generate operating cash flows.

d) Investment in subsidiaries

Investments in subsidiaries are measured at cost less accumulated impairment.

(e) Debtors

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Impairment is determined by making an estimate of the likely recoverable value of short-term debtors by considering factors such as the credit rating, the aging profile and the historic experience of the respective debtor.

(f) Cash and cash equivalents

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

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

(g) Interest bearing loans and borrowings

Fixed-rate senior secured notes, index-linked senior secured notes and subordinated loan notes are initially measured at transaction price, net of transaction costs. They are then subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant

year. The effective interest rate is the rate that exactly discounts estimated future cash flows through the effective life of the financial liability, or (where appropriate) a shorter year, to the net carrying amount on initial recognition.

Where the financial liability has variable index-linked interest and principal repayments, the change in RPI is charged to the profit and loss in the period to which it relates.

(h) Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at transaction price, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

(i) Derivative instruments

To mitigate its exposure to changes in inflation, the Group has entered into inflation-linked swaps ('RPI swaps') with external counterparties. All derivative instruments are initially measured at fair value on the date the contract is entered into and subsequently remeasured to fair value at each reporting date. The gain or loss on remeasurement is taken to the income statement in finance cost or finance income as appropriate, unless they are included in a hedging arrangement.

Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The fair values of inflation swap contracts are determined by calculating the present value of the estimated future cash flows using observable yield curves.

(j) Hedge accounting

The Group applies hedge accounting for transactions entered into to manage the cash flow exposures of borrowings and rental income. The Group designates all its derivative financial instruments, which meet the qualifying conditions for hedge accounting, as cash flow hedges:

Inflation swaps are held to manage the Group's exposure to changes in RPI. The Group's rental income from student accommodation is linked to RPI and the swap contacts manage the exposure to RPI by swapping RPI annual rate changes with a fixed rate.

Changes in the fair values of derivatives designated as cash flow hedges, and which are effective, are recognised in other comprehensive income directly in cash flow hedge reserve. Any ineffectiveness in the hedging relationship (being the excess of the cumulative change in fair value of the hedging instrument since inception of the hedge over the cumulative change in the fair value of the hedged item since inception of the hedge) is recognised in the profit and loss account.

The gain or loss recognised in other comprehensive income is reclassified to the income statement when the hedge relationship ends. Hedge accounting is discontinued when the hedging instrument expires, no longer meets the hedging criteria, the forecast transaction is no longer highly probable, the hedged debt instrument is de-recognised or the hedging instrument is terminated.

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

(k) Interest payable & similar charges

Interest payable and similar charges, comprising interest payable on loans and subordinated loan notes and the costs incurred in connection with the arrangement of borrowings are recognised in the income statement using the effective interest method. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument unless the capital instrument is subsequently carried at fair value in which case the initial issue costs are expensed in the profit and loss account.

Interest payable & similar charges also include losses or gains arising on any ineffective portion of fair value changes of designated for hedge accounting derivative instruments. Any movements in fair value of derivative instruments designated for hedge accounting that are effective are recognised in other comprehensive income as finance gains or losses.

(l) Borrowing costs

Borrowing costs directly attributable to the acquisition and construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the

cost of the respective assets. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(m) Taxation

(i) Current tax

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

(ii) Deferred tax

Deferred tax is calculated on a non-discounted basis using the tax rates and laws that that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference. Group relief is only accounted for to the extent that a formal policy is in place at the reporting period end. Where no policy is in place, current and deferred tax is measured before benefits which may arise from a formal Group relief policy.

(n) Related party transactions

The Group is a wholly owned subsidiary of UPP Group Holdings Limited and as such the company has taken advantage of the terms of FRS 102.33.1A not to disclose related party transactions which are eliminated on consolidation.

(o) Defined contribution pension scheme

Contributions to employees' personal pension arrangements during the period are charged to the profit and loss account as incurred.

For eligible employees, contributions are made to employees' personal pension schemes, based on a predetermined percentage of individuals' salaries.

(p) Defined benefit pension 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 end of the Group statement of financial position 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. Annually the Group engages independent actuaries to calculate the obligation. 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').

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the Group's policy for similarly held assets. This includes the use of appropriate valuation techniques.

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 're-measurement of net defined benefit liability'.

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

a) the increase in net pension benefit liability arising from employee service during the period; and

b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in income statement as a 'finance expense'.

(q) Interest income

Interest income is recognised in the Group income statement using the effective interest method.

5. Turnover

Turnover represents income, on the basis of accounting policy 4(b), attributed to the provision of student accommodation. All turnover arose within the United Kingdom.

6. Directors' remuneration

The immediate subsidiary undertaking, UPP Bond 1 Limited, paid fees of £6,893 (2021: £8,071) to Intertrust Management Limited in respect of services performed in connection with the management of the affairs of the Group for the period up to 28 February 2022.

All Directors and certain senior employees who have authority and responsibility for planning, directing and controlling the activities of the Group are considered to be key management personnel.

No Directors or other key management personnel of the Group received payment for services performed in relation to the management of the Group other than already mentioned above.

7. Staff costs

	Unaudited Six months ended 28 February 2022	Unaudited Six months ended 28 February 2021
	£'000	£'000
Wages and salaries	**3,244**	3,354
Social security costs	**235**	239
Pension costs	**63**	60
	3,542	3,653

8. Operating profit

The operating profit is stated after charging:

	Unaudited Six months ended 28 February 2022	Unaudited Six months ended 28 February 2021
	£'000	£'000
Depreciation	**2,454**	2,220
Amortisation of goodwill	**1,971**	1,971

9. Interest receivable and similar income

	Unaudited Six months ended 28 February 2022	Unaudited Six months ended 28 February 2021
	£'000	£'000
Bank interest	**59**	140

10. Interest payable and similar charges

	Unaudited Six months ended 28 February 2022	Restated unaudited Six months ended 28 February 2021
	£'000	£'000
Financial liabilities measured at amortised cost		
Fixed-rate senior secured notes	**6,608**	6,962
Index-linked senior secured notes	**10,328**	3,340
Unsecured loan notes	**22,278**	20,189
	39,214	30,491
Financial liabilities measured at fair value through profit or loss		
Fair value movement on RPI swaps	**5,237**	(266)
Interest on net defined pension liability *	**-**	-
	44,451	30,225

*year end adjustment only

11. Tax on loss on ordinary activities

With effect from 1 March 2018, ultimate parent company of the Company has elected for Real Estate Investment Trust ("REIT") status to apply to the Company. As a result, the Company no longer pays income 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 income tax as normal.

Factors that may affect future tax charges

UPP REIT Holdings Limited is a Real Estate Investment Trust ("REIT"). As a result, the Group no longer pays 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.

12. Intangible fixed assets

	Goodwill
	£,000
Cost	
At 1 September 2021 and at 28 February 2022	**145,035**
Amortisation	
At 1 September 2021	**(31,680)**
Charge for the period	**(1,971)**
At 28 February 2022	**(33,651)**
Net book value	
At 28 February 2022	**111,384**
At 31 August 2021	113,355

Goodwill arose on the acquisition of UPP (Alcuin) Limited, UPP (Broadgate Park) Holdings Limited, UPP (Kent Student Accommodation) Limited, UPP (Nottingham) Limited, UPP (Oxford Brookes) Limited, UPP (Plymouth Three) Limited and UPP (Exeter) Limited by UPP Bond 1 Limited, a subsidiary undertaking, and is the difference between the consideration given and the fair value of the net assets acquired.

Goodwill is amortised on a straight-line basis over the remaining lease period on the principal asset held by each of the subsidiaries which expire between 2048 and 2058. This period of amortisation is greater than 20 years but represents the period over which the subsidiary undertaking acquired will continue to generate operating cash flows.

13. Tangible fixed assets

	Assets for use in operating leases
	£'000
Cost or valuation	
At 1 September 2020 and at 28 February 2021	571,700
Depreciation	
At 1 September 2021	-
Charge during the period	**(2,454)**
At 28 February 2022	**(2,454)**
Net book value	
At 28 February 2022	**569,246**
At 31 August 2021	571,700

Assets used in operating leases were independently valued by Jones Lang LaSalle ('JLL'), Chartered Surveyors, on an existing-use basis at 31 August 2020 in accordance with the Appraisal and Valuation Manual of The Royal Institution of Chartered Surveyors. JLL have confirmed that the value as at that date was £571,700k.

Following an internal review of the assets used in operating leases, the Directors have concluded there is no impairment to the value as determined by JLL in 2020.

The historic cost of tangible assets held at valuation, should these be measured using the cost model is as follows:

At 28 February 2022	**465,071**
Accumulated depreciation	(36,271)
At 31 August 2021	501,342

14. Debtors: amounts falling due within one year

	Unaudited 28 February 2022	Unaudited 28 February 2021
	£'000	£'000
Trade debtors	**830**	60
Amounts owed by subsidiary companies	**3,213**	3,377
VAT receivable	**222**	-
Prepayments and accrued income	**568**	647
	4,833	4,084

15. Creditors: amounts falling due within one year

	Unaudited 28 February 2022	Unaudited 29 February 2021
	£'000	£'000
Fixed-rate senior secured notes	**8,136**	7,531
Index-linked senior secured notes	**5,853**	5,720
Trade creditors	**-**	645
Amounts owed to related parties	**3,357**	4,294
VAT payable	**-**	21
Accruals and deferred income	**16,744**	17,994
	34,090	36,205

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

	Unaudited 28 February 2022	Restated unaudited 28 February 2021
	£'000	£'000
Fixed-rate senior secured notes	**257,006**	263,482
Index-linked senior secured notes	**228,964**	222,121
Unsecured loan notes	**355,067**	319,298
	841,037	804,901
Less: included in creditors amounts falling due within one year	**(13,989)**	(13,251)
	827,048	791,650
Derivative financial instruments	**44,722**	12,518
	871,770	804,168

Maturity of debt		
Repayable within one year or on demand	**13,989**	13,251
Repayable in more than one year but less than two years	**14,851**	13,989
Repayable in more than two years but less than five years	**51,476**	47,999
Repayable in more than five years	**270,893**	366,804
	351,209	442,043
Less: included in creditors amounts falling due within one year	**(13,989)**	(13,251)
	337,220	428,792

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

Senior secured notes

On 5 March 2013 one of the Group's subsidiary undertakings, UPP Bond 1 Issuer plc, issued £307,100,000 of fully-amortising fixed-rate senior secured notes and £75,000,000 of fully-amortising RPI index-linked senior secured notes, listed on the Irish Stock Exchange. The proceeds of this issuance were on-lent on the same terms and conditions to six other subsidiary undertakings to enable them to repay their previous bank facilities and associated costs.

The fixed-rate senior secured notes are fully-amortising by 2040 and bear interest at 4.9023%, with repayments commencing on 30 August 2013.

The index-linked senior secured notes are fully-amortising by 2047 with a real interest rate of 2.7291% increasing semi-annually by RPI. The notional amount of these notes at issuance was £75,000,000 and repayments are scheduled to commence in August 2038.

On the same day the Group entered into derivative financial instruments, being RPI swaps. This is to manage the exposure to RPI movements on the underlying portion of revenue streams generated by the Group used to repay the fixed-rate senior secured notes.

On 9 December 2014, UPP Bond 1 Issuer plc, issued £149,700,000 of fully-amortising RPI index-linked senior secured notes, listed on the Irish Stock Exchange. The proceeds of this issuance were on-lent on the same terms and conditions to UPP (Exeter) Limited to enable the Company to repay its previous bank facilities and associated costs.

The index-linked senior secured notes are fully-amortising by 2049 with a real interest rate of 1.037% increasing semiannually by RPI. The notional amount of these notes at issuance was £149,700,000 with repayments commencing in February 2015.

The senior notes above are secured under a debenture deed. Under the terms of the debenture, the finance provider, UPP Bond 1 Issuer plc, has security by way of a first legal mortgage over all estates or interests in the leasehold properties and buildings and fixtures on those properties, as well as security over all other assets of the Group by way of fixed and floating charges.

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

Unsecured loan notes

On 5 March 2013, UPP Group Limited provided unsecured loan notes of £128,193,226 with a further £21,308,000 issued on 9 December 2014 to the Group. These loan notes bear interest at 13.5% and are repayable by 2057 and 2051 respectively. Payment of interest is subject to the Group passing lock-up tests and availability of cash reserves.

Derivative financial instruments

	Cash flow hedge reserve	Profit and loss account	Total
	£'000	£'000	£'000
Fair value of RPI swaps at 1 September 2021	(18,347)	(6,679)	(25,026)
Fair value movement in the period	(14,459)	(5,237)	(19,696)
Fair value of RPI swaps at 28 February 2022	**(32,806)**	**(11,916)**	**(44,722)**

Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The fair value of these swaps is determined using 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 Company incorporates credit valuation adjustments and debit value 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 Company has considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts, and guarantees.

17. Provisions for liabilities

	Provisions	Pension Liability	Total
	£'000	£'000	£'000
At 1 September 2021	3,999	1,999	5,998
Release of provisions	(1,943)	-	(1,943)
At 28 February 2022	**2,056**	**1,999**	**4,055**

During the prior year the Group identified various cladding works that needed to be addressed at its Francis Drake building at the University of Plymouth. Detailed inspections were undertaken and a main contractor appointed. Accordingly at the year end, a provision of £3,999k has been recognised as the Directors believe the Group has a present obligation and that it is probable that transfer of economic benefit will be required and the obligation can be reliably estimated. The provision is released as work to address the issues is undertaken.

18. Called-up share capital

	At 28 February 2022	At 28 February 2021
	£'000	£'000
Issued, allotted, called-up and fully-paid		
55,570,409 Ordinary shares of £1 each	**55,570**	55,570

On 15 October 2012 the company issued 1 ordinary share of £1 each at par. On 16 January 2013 the company issued 50,000 ordinary shares of £1 each at par for cash consideration.

On 5 March 2013 the company issued 32,884,298 ordinary shares of £1 each at par in exchange for the issued share capital in six subsidiary undertakings owned by UPP Group Limited. On the same day the company also issued 3,914,429 ordinary shares of £1 each at par for cash consideration.

On 9 December 2014 the company issued 18,721,682 ordinary shares of £1 each at par in exchange for the issued share capital in UPP (Exeter) Limited owned by UPP Group Limited.

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

19. Notes to the statement of cash flows

(a) Reconciliation of operating profit to net cash inflow from operating activities:

	Unaudited Six months ended 28 February 2022	Unaudited Six months ended 28 February 2021
	£'000	£'000
Operating profit	**18,349**	16,928
Depreciation	**2,454**	2,220
Goodwill amortisation	**1,971**	1,971
Release of provisions	**(1,943)**	-
(Increase)/decrease in debtors due within one year	**(606)**	1,095
(Decrease)/increase in creditors due within one year	**(531)**	8,632
Net cash inflow from operating activities	**19,694**	30,846

(b) Cash and cash equivalents comprise the following:

	At 28 February 2022	At 28 February 2021
	£'000	£'000
Cash at bank and in hand	**22,716**	21,366
Short-term deposits	**30,018**	31,619
Cash and cash equivalents	**52,734**	52,985

20. Financial risk management

The use of financial instruments is managed under policies and procedures approved by the Board. These are designed to reduce the financial risks faced by the Group, which relate to interest, inflation and liquidity risks as well as demand and portfolio risk which arise in the normal course of the Group's business.

Interest rate risk

Through the issue of fixed rate loan notes the Group has mitigated its exposure to interest rate fluctuations on that portion of its borrowings. The index-linked loan notes have a real fixed rate that is linked to RPI (see below).

Inflation rate risk

The Group funds its financing activities through the provision of student accommodation and rental income received on this accommodation. Growth in rental income is linked to the movement in RPI and the Group manages the exposure to this index through a mix of inflation-linked debt and the use of RPI swaps to hedge a portion of the fixed rate debt servicing costs.

To mitigate the impact of inflation movements on future rental income and the Group's ability to service the fixed rate tranche of the bond debt 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:

External hedge arrangements

- two 27 year RPI swaps with Royal Bank of Canada commencing in August 2013 and finishing in February 2040
- 24 year RPI swaps with Royal Bank of Canada commencing in June 2016 and finishing in February 2040
- a 27 year RPI swap with Mitsubishi UFJ Securities International plc commencing in March 2013 and finishing in February 2040

The notional amounts swapped for each year have been determined with reference to a percentage of the fixed rate bond servicing costs, and split equally over the hedge counterparties. On each of these swap arrangements the hedge counterparty pays or receives a fixed amount and the company pays or receives a floating amount.

These instruments with matching derivative instruments are on–lent to six AssetCos. This is to manage the exposure of the Group to RPI movements from loan receipts from AssetCos where revenue streams are sensitive to inflation rate risk.

Hedge arrangements with fellow group undertakings

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

20. Financial risk management (continued)

The notional amounts swapped for each year have been determined with reference to a percentage of the debt servicing costs of the fixed rate tranche of the relevant AssetCo on-loan agreement with Bond 1 Issuer Plc. 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, volatility has been introduced into the income statement as market value movements are not fully offset by movements in the underlying hedged item within each period and/or hedging items do not meet the qualifying criteria of being separately identifiable and reliably measurable.

We note, however, that these limitations within Section 12 do not impact the Group's cash flow position. The reasons for entering into RPI swaps remain commercially sound that is they are intended to be held to maturity in order to reduce volatility in the Group's cash flows.

Liquidity risk

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and debt servicing and by investing cash assets safely and profitably. The maturity of borrowings is set out in note 16 to the financial statements.

Terms and debt repayment schedule

	Currency	Effective interest rate (%)	Year of maturity	Book value
				£'000
Fixed-rate senior secured notes	£	4.9023%	2040	257,006
Index-linked senior secured notes (issued 2013)	£	2.9105%	2047	90,084
Index-linked senior secured notes (issued 2014)	£	1.0520%	2049	138,880
Unsecured loan notes (issued 2013)	£	9.3700%	2056	303,996
Unsecured loan notes (issued 2014)	£	11.3800%	2051	51,071
				691,834

Demand risk

The Group is subjected to risks arising from occupancy voids and lack of nominations by the university partners which can lead to uncertain revenues. This risk is managed by cementing relationships with the university, improved marketing of accommodation and improved third-party revenues to compensate for any shortfalls in rental income.

Portfolio risk

The assets of the Group are in the student market and reduced student numbers could impact upon financial performance. The Group seeks to mitigate this risk by building excellent long-term relationships with its university partners and ensuring up-to-date in depth market analysis is completed each year to enable the Group to review its strategic position.

21. Financial instruments

The carrying amounts of financial instruments by categories shown in the statement of financial position are as follows:

	Carrying amount At 28 February 2022	Carrying amount At 28 February 2021
	£'000	£'000
Financial assets		
Financial assets measured at fair value:		
Trade debtors	**830**	60
Related party receivable	**3,213**	3,377
	4,043	3,437
Financial liabilities		
Financial liabilities measured at amortised cost:		
Fixed-rate senior secured notes	**257,006**	263,482
Index-linked senior secured notes	**228,964**	222,121
Unsecured loan notes	**355,067**	319,298
Trade creditors	**-**	645
Other related party loans	**3,357**	4,294
Derivative financial liabilities – RPI swaps	**44,722**	12,518
Total financial liabilities measured at amortised cost	**889,116**	822,358

22. Parent undertaking and controlling party

The company's immediate parent undertaking is UPP Group Limited. UPP Group Limited is a wholly owned subsidiary of UPP Group Holdings Limited. UPP Group Holdings Limited is a wholly owned subsidiary of UPP REIT Holdings Limited. UPP REIT Holdings Limited is controlled by a 60% stake held by PGGM Vermogensbeheer BV ("PGGM"), a company incorporated in the Netherlands.

The largest group of which the Company is a member and for which group accounts are prepared is UPP REIT Holdings Limited.

The smallest group of which the Company is a member and for which group accounts are prepared is UPP Bond 1 Holdings Limited. Copies of the UPP Bond 1 Holdings Limited accounts can be obtained from Companies House, Cardiff CF14 3UZ, once they have been filed. Copies of the UPP REIT Holdings Limited accounts can be obtained from www.upp-ltd.com, once they have been published.

23. Prior year restatement

The Company issued subordinated loan note liabilities to UPP Group Limited and passed a significant portion of this lending on to its subsidiary UPP Bond 1 Limited. Amounts due from subsidiary undertakings are eliminated on consolidation so for the Group the issue described below impacts subordinated loan note liabilities only.

During the prior year the Directors identified that the original effective interest rate used to discount the liability and the asset was calculated on expected rather than the full contractual cashflows. In addition, the effective interest rate was updated each year and used to calculate the amortised cost of the loan whereas the original effective interest rate should have been used, with the change in carrying value of the loan being recognised in profit and loss.

Subsequent to the above, the Directors reviewed the recoverability of the carrying amounts of the receivable in the Company and determined that a historic impairment was required.

	Notes	2021 as previously stated £'000	Adjustments £'000	2021 as restated £'000
Statement of comprehensive income				
Interest payable	10	(19,565)	(10,660)	(30,225)
Balance sheet				
Creditors greater than one year	16	(691,101)	(113,067)	(804,168)
Closing retained earnings		(77,616)	(113,067)	(190,683)

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