Registered No: 123688

UPP REIT Holdings Limited

Consolidated financial statements for the year ended 31 August 2022

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for the year ended 31 August 2022

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UPP REIT Holdings Limited
Directors and advisors

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UPP REIT Holdings Limited
Strategic report
for the year ended 31 August 2022

The Directors present their report and financial statements for the year ended 31 August 2022.

Highlights for the Year

- Rental income increased by 5.7% to £204.1 million
- EBITDA for the year increased by 8.0% to £101.6 million
- Occupancy for the year at 99.6% (2020/21: 98.0%)
- We reached practical completion on the second and final phase of the East Park project at the University of Exeter, with a further 578 rooms becoming operational and first residents moving in.
- Shortly following the financial year end, the Company was selected as the Preferred Bidder to deliver the University of Exeter's Clydesdale and Birks project. The project will develop over 1,700 new student rooms and will be the largest and most innovative Passivhaus scheme in the sector.
- In addition to the new rooms, UPP will also retrofit 300 existing bedrooms at Birks Grange to EnerPHit standards.
- The year also saw the delivery of the largest programme of asset investment across the portfolio to date, with £19.1 million invested in the portfolio.
- We continued to deliver high quality services to students, as evidenced by customer satisfaction scores of 88.9% when residents were asked whether they would recommend UPP accommodation to future students.
- We announced our commitment to achieve transparent net zero emissions, by committing to the Science Based Targets initiative (SBTi) Net-Zero Standard - the world's first and leading framework for corporate net-zero target setting in line with climate science.
- The UPP Foundation Student Futures Commission released its Student Futures Manifesto – setting out six recommendations to help reverse the adverse effects, on students, of the pandemic.
- The Royal Society for the Prevention of Accidents (RoSPA) awarded UPP its prestigious 'Gold Award' in recognition of our excellent health and safety standards – for a fifth consecutive year.

Who We Are

UPP REIT Holdings Limited (ISIN – JE00BF5PSP50) is a closed-ended UK REIT and was admitted to the Official List of The International Stock Exchange (TISE) on 8 March 2018. It is the Parent Company of UPP Group Holdings Limited, trading as UPP.

Established in 1998, we are the original and only multi-discipline, full-service DBFO company that focuses on just one sector. Since our inception we have been providing and operating on-campus, residential and academic infrastructure for the UK Higher Education sector.

We've always remained focussed on our long-term partnership model in everything we do for our university partner and their students. With our in-house expertise in design, construction management, funding and operating accommodation, we have an established and trusted reputation for delivering at scale and executing with efficiency and minimal risk. We bring together the longevity of university business models, with cost-effective long-dated borrowing, in long-term partnerships for the mutual benefit of universities, students and investors alike.

Our Purpose

To collaborate with our university partners to reinvent the way that students live and learn at university by sustainably transforming the campus experience.

Our Vision

To be the leading infrastructure and services partner to UK universities by delivering next-generation low carbon campuses.

Our Strategy

To preserve and grow the value of our business through partnership, innovation and delivery.

Our Priorities:

- Preserve

  Preserving value by driving occupancy; actively managing our assets and investments, and elevating service delivery.

- Grow

  Developing new business opportunities with existing and new university partners.

- Partner

  Acting as a true, long-term partner working in collaboration with universities.

- Innovate

  Innovating to co-create next generation sustainable campuses.

- Deliver

  Focusing on operational excellence and strong service delivery.

Our Business Model

Our bespoke model allows our university partners to develop their estates and ringfence future operating costs, whilst reinvesting in their core services - namely teaching and research.

We design and build new residential and academic accommodation infrastructure, undertake estate transfers, and operate these facilities on a long-term basis. Key to this is delivering high-quality services to students to support a great student experience during their time at university.

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

We are organised into a number of business units and functions to leverage the full benefit of our multi-disciplinary expertise in the interests of our partners.

Business Development

Leading on new business

Our Business Development team is the originator of new partnerships and leads on new development projects and services with existing partners.

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

This team is also responsible for the:

- Managing the design of the asset
- Consultation and planning process
- Procurement and negotiation of the construction contract
- Origination of all debt and equity financing

Construction and Capital Programmes

Long-term asset management of the portfolio

This business unit is accountable for managing our assets for the life of each partnership.

It develops and implements the Company’s long-term asset management plan to manage investment in the portfolio.

The Construction and Capital Programme team is responsible for managing contractors and subcontractors and more specifically for:

- Ensuring new developments are constructed on time, to quality and to budget
- Delivering annual lifecycle works across the portfolio
- Supply chain management and procurement
- Health and Safety

Partnerships

Our Partnerships team is responsible for managing the day-to-day relationships with universities. It ensures that each asset is performing as effectively as possible and that the rights and obligations of both parties within each Project Agreement are being adhered to.

UPP's Partnerships team is focused on the delivery of revenues and more specifically for:

- Engagement and collaboration with each of our university partners
- Demand management continuing to secure sector-leading occupancy, typically in excess of 99%
- Revenue management
- Management of contractual provisions
- Portfolio optimisation

Residential Services

Delivering facilities management services

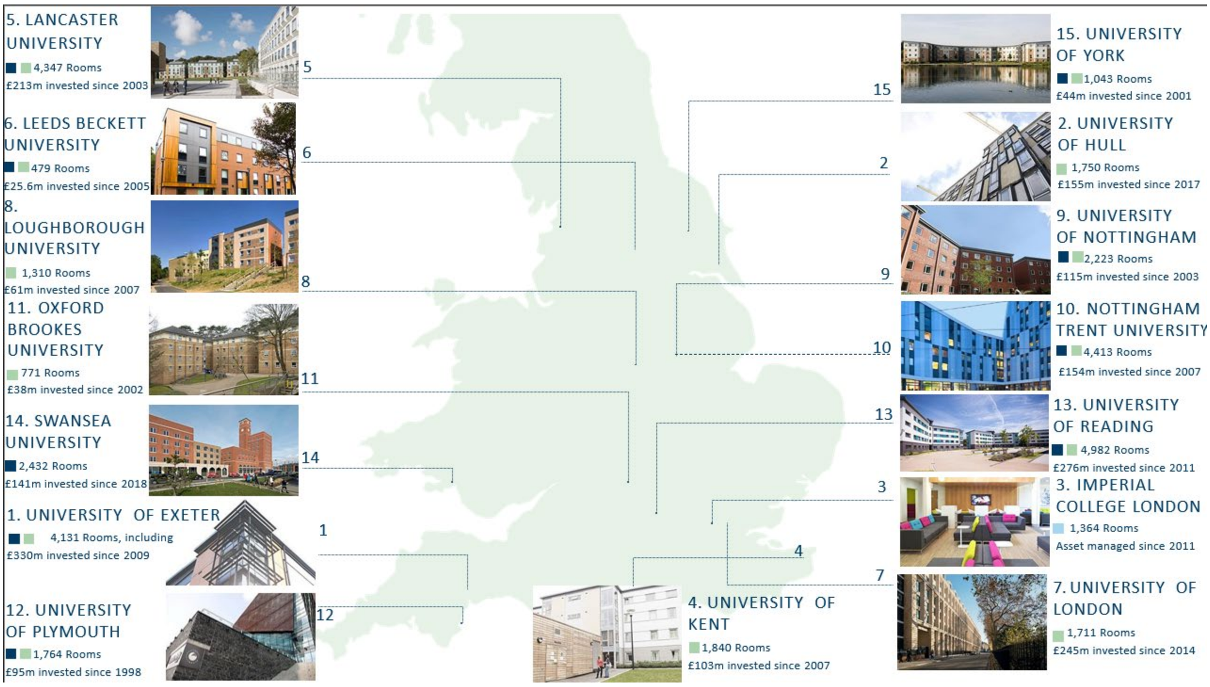
Our Residential Services team provides a full range of FM services including cleaning and reactive maintenance, front of house, post room services and implementation of planned preventive maintenance.

With well over 15 years' experience in delivering high-quality specialist services to the HE sector, our team has a proven track record in delivering quality services to our partners and students, while transferring cost and delivery risk away from each university – based on an agreed payment mechanism both for availability and performance.

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

Our Portfolio

We have approximately 35,000 rooms in operation through long-term partnerships with 15 UK universities.



Group Chief Executive Officer's Statement

The results for the financial year ended 31 August 2022, continue to reflect the strength of the UPP business model, which delivers returns based on stable, long-term, RPI-linked revenues. During the year, the Group has continued to grow its core business - delivering new transactions with existing partners and increasing the number of beds under operation.

The principal activities of the Group during the year continued to be the design, financing, development and operation of student accommodation. During the year, the Group saw an increase in rental income of £10.9 million (5.7%) to £204.1 million, with new rooms becoming operational and contractual rental increases across the portfolio. EBITDA grew by 8.0% to £101.6 million. The operational performance of the Group remained strong, achieving an average of 99.6% occupancy for the financial year ended 31 August 2022.

Review of the Year:

At the beginning of the financial year (during September 2021), student residents moved into 578 new high-quality rooms completed as part of the second and final phase of the East Park project at the University of Exeter. Phase one of the East Park project, located on the University's Streatham Campus, was completed during September 2020, with students occupying 604 new rooms. Both schemes were completed by VINCI Construction UK. This two-phased project at Exeter has delivered 1,182 new rooms, comprising a mixture of standard, en-suite and enhanced accessible bedrooms, as well as study and social spaces and outdoor areas with views of the Campus and the City of Exeter beyond.

UPP designed, built and financed the project and now operate the accommodation through a full facilities management service, with the scheme achieving a BREEAM Excellent rating. The completion and occupation of the second phase of the project on time and on budget increased the number of rooms under operation to more than 4,100. The investment totalling £139.7 million was composed of £125.1 million of index-linked debt financing with a tenor of circa 48 years from Pension Insurance Corporation (PIC) with UPP Group and its Shareholders providing £14.6 million of subordinated debt and equity. PIC's investment in East Park is the sixth it has completed with UPP on a bilateral basis, taking the total it has invested directly in UPP schemes to circa £530 million.

In October, UPP 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 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.

The year has continued to see the wider Group focusing on the long-term strategic management of assets under operation, including defects management. The Directors continue to review opportunities for additional equity investment in the AssetCos to enhance the accommodation offering.

The business undertook a further major programme of asset investment works during the year totalling £19 million across the entire portfolio. This included significant refurbishment work on town houses in the Alcuin AssetCo, refurbishment of Hampden Halls in the Nottingham AssetCo and significant window replacement at Broadgate Park. In addition, following the temporary remedial works at Francis Drake halls of residence in Plymouth, (which were completed prior to students arriving for the 2021 academic year to ensure that the building was safe for occupation), the AssetCo entered into a building contract with Kier Construction Limited to undertake further required remedial works. These works were completed on time and to budget during the summer of 2022.

UPP REIT Holdings Limited
Strategic report
for the year ended 31 August 2022 (continued)

In March 2022 the business committed to the Science Based Targets initiative (SBTi) Net-Zero Standard. SBTi is a global initiative publicly declaring, setting, and implementing scientifically based greenhouse gas emissions reduction targets in order to reach the Paris Agreement target of keeping the global temperature increase to 1.5°C. The Net-Zero Standard is the world's first and leading framework for corporate net-zero target setting in line with climate science and provides a common, robust, and science-based understanding of net-zero on an independently assured basis.

The science-based targets will enable the business to reduce its carbon emissions and provide tangible metrics by which our success can be measured. In addition to carbon reduction, the business has ambitious and innovative plans in place to address issues such as waste and water management as well as biodiversity.

In April, UPP also announced that the Royal Society for the Prevention of Accidents (RoSPA) had awarded UPP its prestigious 'Gold Award' in recognition of its excellent health and safety standards – for a fifth consecutive year. At a time when the overall health and wellbeing of people is paramount, to be acknowledged by an internationally recognised and prestigious scheme for the lengths we to go to for our employees is something we are extremely proud of.

Shortly after the financial year end, UPP was selected as the preferred bidder to deliver the design, development, financing and operation of the University of Exeter's Clydesdale & Birks Residential Project – a truly leading-edge campus development scheme. The project will develop over 1,700 new student rooms, refurbish 300 existing bedrooms at Birks Grange and create a new grounds compound for the University. The scheme will deliver the largest and most innovative on-campus Passivhaus scheme in the sector which will set a high benchmark for truly sustainable student accommodation development in the future.

The appointment of UPP will see a widening and deepening of UPP's existing partnership with Exeter – one stretching back well over a decade. During that time, UPP has developed, and now operates, well over 4,000 rooms on campus and this latest transaction further cements the positive collaboration between the partnership. Once the new scheme is delivered, UPP will be operating more than 6,000 rooms on the University's Streatham Campus.

UPP and the University are working to reach financial close which is targeted for the summer of 2023. Following this, construction will immediately commence with the first phase of the development due to become operational for the 2025/26 academic year. The remaining bedrooms will be finished to welcome students into the wholly completed development in September 2026.

In terms of key changes to the Executive Leadership Team during the financial year, Mark Swindlehurst, Managing Director Asset Management left the business in February and interim replacements were immediately appointed to the Executive team assuming their responsibilities in full. Shortly following the year end, these appointments were made formally, with Matt Burton assuming the role of Executive Director Partnerships and Adam Tyson becoming Executive Director Construction and Capital Programmes.

Henry Gervaise-Jones, Chief Financial Officer, left at the end of April, with interim appointments to the Executive Leadership Team made. During August the Company announced that Mark Bamford would join the business in October as Chief Financial Officer. Mark joins UPP from Thames Water where he was Group Financial Controller and Finance Director Operations and Capital Delivery since 2017. Mark has 25 years' experience in the telecommunications, utilities, financial and professional services sectors.

Occupancy for the 2022/23 financial year has been secured at 99.8%, highlighting the ongoing strength of UPP's business model.

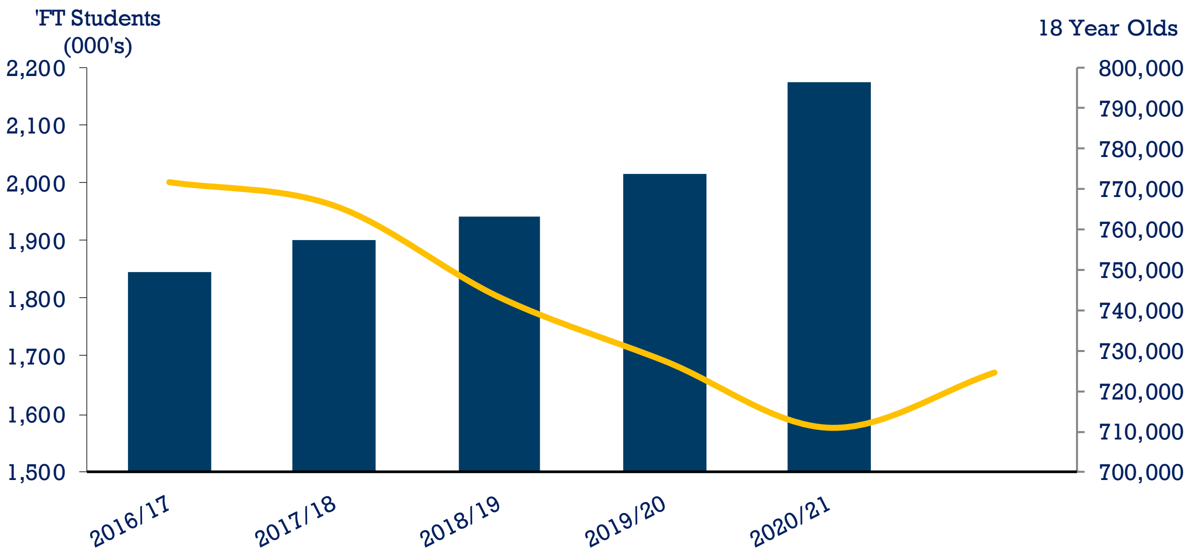
In summary, UPP's business model is robust and that it is well positioned to continue to deliver strong commercial and operational performance from a portfolio of assets that are central to the operations of its university partners.

Our Market: A Review

In terms of developments in UK Higher Education (HE), the sector continues to see strong rates of academic demand both domestically and from overseas. 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% compared to 2020, with 492,005 accepted (+1 %). As the 18-year-old population continues to increase, 7% more UK 18-year-olds were placed (27,235 up from 257,895 in 2020).

Of those gaining a place, 81 % secured their first-choice university or college (up from 76 %). Overall, 38.3 % of UK 18-year-olds gained a place in 2021 (up from 37% in 2020 and 34.1% 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% from 92,650 in 2020.

<u>Figure 2.21 UK full-time HE enrolment (y-axis) relative to the number of 18-year-olds in England (z-axis) 2016/17-2020/21</u>



HESA (Headcount) ONS

Internationally, whilst a total of 142,925 people of all ages applied (-5% on 2020), acceptances were up 1% year on year to 70,005. This movement was composed of 111,255 people from outside the EU, an increase of 12%, with 54,030 accepted (+2%). In terms of EU applicants, as predicted by post-Brexit modelling, 31,670 people applied, a large fall of 40% with 16,025 accepted (-50%).

Unconditional offer-making fell from a high of 15.7% of all offers made in 2020 to 3.3% in 2021, with 'conditional unconditional offers' all but eliminated within this cycle. 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.

Ahead of the 2022/23 academic year, applicant numbers as of the UCAS Main Scheme Deadline (30 June 2022) continued to show positive signs. In total 683,650 applicants applied for a place at university, a fraction higher than the number that did so year on year. Applications increased by 1,549 or 0.2%. By the 2022 deadline there were 46,000 more applicants than the same point five years earlier, an increase of 7.3%. Importantly, the overall 18-year-old application rate rose to 44.1% up from 43.3% year on year. Over the last five academic years the application rate for this cohort has risen more than six percentage points. For the largest population of 18-year-olds across the nations of the UK – English applicants – growth has been even stronger at just under 7% to 44.9%.

UK applicant numbers for all age groups at this point were down by 0.5 % to 548,780 a fall of 2,840 applicants. This decline was based on falls in applicants from Scotland and Northern Ireland, however encouragingly, English applicant numbers were up by 2,790 (+0.6%). In general, the trend in UK applicant numbers continues to remain positive. Over the last five years applicant numbers have grown by well over 37,000 or 7.3%.

Figure 2.22 Applicants for all courses by domicile group (30 June 2022 deadline)

App. Domicile	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**2022/23**
England	421,610	418,940	427,290	456,190	458,980
Northern Ireland	19,310	18,520	18,150	19,390	18,430
Scotland	48,710	47,110	47,250	52,710	47,860
Wales	21,830	21,470	21,330	23,330	23,500
UK	511,460	506,040	514,020	551,620	548,770
EU (excluding UK)	50,130	50,650	49,650	28,400	23,160
Non-EU	75,380	81,340	89,130	102,000	111,720
Total	636,970	638,030	652,800	682,020	683,650

(Source: UCAS)

International applicant demand is composed of EU and non-EU students. Post-Brexit demand from EU students has seen a sharp fall in line with projected modelling by HEPI and London Economics in 2017. Year on year, EU numbers fell by 18% in the 2022 cycle, the equivalent of 4,960 students to 23,160. Over the last five years EU applicant numbers have fallen by 26,970 or 53.8%. However, over the same period non-EU international applicant numbers were up 9% to 111,720. Given recent changes to the UK Tier 1 post-study work visa regime and the publication of the UK's International Education Strategy in March 2019, international applicant numbers from outside of the EU have grown significantly, by 48.2% or an extra 36,340 students.

Early indications of demand for the academic term 2023/24 provide indications that trends in applicant numbers will continue to remain strong. The first comparable data point for the coming academic year, namely the 15 October deadline, identifies a decrease overall of 5% in undergraduate applicants seeking to study at Oxford, Cambridge or in medicine, dentistry or veterinary courses. In terms of domicile, applicant numbers from the UK were down 5%, the equivalent of 2,000 students year on year. The number of UK 18-year-olds who had applied by the deadline was also down, but only by 3.2%, with 38,660 applicants compared to 39,920 in 2022. In the case of English undergraduates, who represent the key cohort for residential demand in UPP residences, the fall was only 2%.

Demand from international 18-year-olds continues to appear encouraging, with applicant numbers up by 1%, albeit that demand from the EU continues to decline. At the 15 October deadline EU demand was down by 8%. However, because of the differential in size between the respective populations, the net impact is a 1% overall fall in international applicants.

Overall, demand at this deadline is down from 2022, however, it should be borne in mind that this reflects the anomalous increases of the previous two academic years where examinations were replaced by Centre Assessed Grades. Applicant numbers in key cohorts are still ahead of 2021 year on year. UCAS have identified that in the context of a growing UK 18-year-old demographic a number of factors are likely to be impacting on demand. These include the return of examinations, but also pressures on the cost of living. It should also be noted that this deadline typically represents only about 10% of the total number of applicants in a cycle.

On this basis, the Directors remain confident both in the robust nature of domestic and international demand for UK HE and therein for residential accommodation. We also remain confident in the capacity of the Company to secure and deliver transactions coming to market, based on its unique selective approach to partnerships.

Outlook

Whilst there remains some uncertainty in terms of the HE policy environment there is good reason for confidence in ongoing and longer-term trading conditions.

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

- Demand modelling by the Higher Education Policy Institute to 2035 has identified that the demographic decline in UK 18-year-olds, which halted in 2019, will be followed by an increase in the young population of circa 23 % during the next decade. This will lead to a minimum increase in demand for full time higher education of 50,000 places on the basis of demography alone and up to 360,000 places assuming increases in participation.
- A continuity in the trend over the last 30 years of more than 80% of students choosing to live on campus rather than at home, despite increases in the cost of participation.
- Increasing levels of international demand and social mobility. The number of young people aged 25 to 34 years old with a tertiary qualification increased by nearly 45 % in OECD and G20 countries between 2005 and 2013. OECD projections expect this increase to continue until at least 2030, which will see those with a degree qualification increase from less than 14% at the start of the century to more than 45% by 2030. The UK remains the most popular destination for international students outside the United States and should be well placed to benefit from increasing demand.
- There remains a significant structural shortfall in residential supply, as ongoing enrolments increase at a faster rate than supply, despite the development of an estimated 327,000 bed spaces over the last decade.
- Increase regulation and planning conditions in the student focused HMO market has led to significant numbers of landlords exiting the market placing further pressure on supply.
- A continuing pipeline of transactions under procurement with leading universities.

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

Principal risks and uncertainties

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

Risk	How we mitigate the risk
Demand • Ongoing demand levels, competition for students and changing student expectations Students may choose not to attend a partner university	• Investment in direct and indirect marketing focused on maximising UPP accommodation occupancy • Sector analysis to ensure awareness of and response to evolving markets • Engagement with government and sector policy-makers to influence formation and execution of plans to mitigate potential long-term occupancy risks • Regular student satisfaction surveys to identify changing requirements
Supply • Increasing alternative supply options in the student accommodation market	• Investment in portfolio to ensure UPP offer remains attractive in comparison to alternatives • Product innovation to ensure competitiveness • Active asset investment management, performance review and bespoke plans to optimise sinking fund and additional investment funds to maintain accommodation in desirable condition
Cost Inflation • Complex/volatile operating cost increases in a challenging inflationary environment	• Active cost management and third-party pricing certainty secured through comprehensive procurement process and contracting structures • Price hedging agreements established to minimise the impact of adverse wholesale market factors on gas and electricity consumption costs • Utilities usage reduction targets included in UPP performance measures with progress tracked and reported on at board level • Financial instruments in place to limit exposure and impact of increasing interest rates and inflation • Contractual mechanisms relating to rental income increases linked to inflation
Fire Safety and statutory technical compliance risk • Risk of injury to those living in or working at UPP accommodation	• Continually monitoring compliance to systems and benchmarking through established audit and inspection regimes undertaken by qualified external parties and our own team • Appropriately experienced individuals completing surveys to identify any potential areas of improvement • Timely investment in remediation work to accommodation in order to comply with appropriate regulations

Sustainability • Business risks arising from climate change	• Carbon reduction targets and associated delivery plan developed. Targets included in UPP performance measures with progress tracked and reported on at board level • Through the Global Real Estate Sustainability Benchmark (GRESB) assessments we review our ESG performance against a broad range of criteria including energy, waste, greenhouse gas emissions, health & safety, environment, risk management, reporting and stakeholder engagement
Policy Change • Policy changes with respect to how the sector is funded and the number of young people attending university	• On-going monitoring of legislative environment • Established thought leader in the UK HE sector working with government and policy making bodies to input and influence policy changes • Work with the UPP Foundation to influence and inform sector research

Our People

The high quality and capability of our people and our collective skills, expertise and experience define us, and we want to inspire all of our employees to excel.

Inherent within our people strategy and its implementation is a commitment to ensure the highest standards of inclusion, equality and diversity. We aim to provide an excellent experience for students and colleagues, one which embodies equality of treatment and inclusion, and equips our teams to be socially purposeful professionals and citizens. This includes providing the opportunity for our employees both to take part in volunteering and for selected charities to benefit from match funding via the UPP Foundation – the independent charity established by UPP in 2016.

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

During the year we worked with people across the business to review our values and behaviours so that they better reflect the business we are today and our vision for the future. This collaboration has enabled us to reshape a set of values and behaviours for UPP going forward. Our new values encompass Sustainability, Community, Partnership, Innovation and Respect. Having strong values and clear behaviours will support the delivery of our strategy and benefit our student residents and our partners.

We firmly believe it is important for our people to feel empowered to make a difference and we support this by ensuring each individual receives the right training and development opportunities, so they can grow professionally and personally, while at the same time meeting the evolving challenges of our industry.

During the year the Company has continued the progress made in enhancing the capability of our teams and addressing skills gaps where they are present. Additionally, this included the development of a new suite of leadership and development programmes rolled out during the financial year 2021/22.

The Company continues to hold a We Invest in People Gold Accreditation and continues to support Living Wage Foundation rates of pay and invest in our people through training and development.

Employee engagement is critical to the performance of the business and we have in place numerous communication and engagement channels to ensure ongoing two-way conversations with our teams. These include monthly all-employee video conference calls with the CEO and wider leadership team where any questions or issues faced by our teams can be raised.

We also provide news, information and features to all employees through our intranet Campus as well as weekly email updates. During the year we also completed a national programme of employee engagement. Our “Town Hall” meetings with all members of the team provided the opportunity to share news, discuss business-wide initiatives and gather feedback on the issues of importance to our frontline employees.

Also, during the year, we adopted a new approach to recognising our colleagues. The individual Kudos programme, launched in May, provides a tiered framework including monthly awards, Team/s of the Month, Annual People Awards and Site “Thank You” Events. UPP Kudos strengthens our commitment as a business to recognising and rewarding our exceptional people.

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

Our Approach to Health and Safety

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

We have established policies and procedures in place for all colleagues, visitors, residents and others who may be indirectly or directly affected by our business. We also provide mandatory training, instruction and supervision to all employees and contingent workers to underpin our approach. The training is designed to reduce our organisational risks and comply with local or national policies and government guidelines. Our approach is supported by externally accredited ISO45001:2018 compliance. In addition, UPP is accredited to environmental standard ISO14001:2015, and quality standard ISO9001:2015.

In the wake of the Grenfell Tower fire in 2017 the Group immediately established a Fire Safety Working Group (FSWG). Initially the aim of this Group was to audit all of the cladding systems across the portfolio, to provide reassurance to our partners and students that our buildings comply with prevailing building regulations. One building at that time, at Nottingham Trent University, was found to require cladding remediation works and these were undertaken and completed during 2018. As reported in our Annual Report for 2020, this remit was widened to a full risk review across our portfolio and this has been undertaken in conjunction with external fire safety consultants, our Primary Authority and our Partner Universities. Further remediation requirements were identified at the Francis Drake building in Plymouth, with works completed during the financial year, and at Kent, with a provision made during the financial year. See note 25 for further detail.

Key financial performance indicators

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

	2021/2022 £'000	2020/2021 £'000
Turnover	209,587	229,724
EBITDA (Earnings before interest, tax, depreciation and amortisation)	101,556	94,002
Loss after tax	(72,854)	(33,685)

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

- Turnover decreased by 8.7% during the year, primarily due to a decrease in construction income of £33,464k, partially offset by an increase in student accommodation rental income of £10,992k. The reduction in construction income was due to the completion of the Group's East Park scheme in the prior year- there is no impact to EBITDA as income movements are matched by equivalent cost movements.
- EBITDA increased by 8.0% (by £7,119k), primarily due to the increase in rental income being partially offset by the impact of asset investment spend and higher utility costs.
- Loss after tax increased mainly due to an increase of £38,193k in inflation linked interest costs, a negative movement in the fair value of inflation-linked swaps of £10,062k and the recognition of £14,800k of provisions relating to asset remediation works.

Reconciliation of EBITDA to gross profit:

	Note	2021/2022 £'000	2020/2021 £'000
Gross profit		128,281	128,887
Operating expenses	8	(69,092)	(75,604)
Amortisation and depreciation		42,367	40,718
EBITDA*		101,556	94,002

*EBITDA is shown before the impact of provisions

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

Subsidiary undertakings that provide student accommodation

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

	2021/22	**2020/21**
Average Application: Acceptance ratio	6.79 : 1	6.75 : 1

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

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

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

	2021/22	**2020/21**
Average occupancy across all facilities	99.6%	98.0%

The target occupancy level across all facilities is 98-99%, as such the Directors are satisfied that the movements noted above are within tolerable limits.

Subsidiary undertaking that provides facilities management services

The Directors report that during the current year the numbers of bed spaces to which they provide services is 34,712 (2021: 34,368).

On behalf of the Board

M Bamford
Director

20 January 2023

UPP REIT Holdings Limited
Statement from the Chairman

On behalf of UPP REIT Holdings Limited, I am delighted to present our corporate governance report for 2022.

We are committed to delivering our strategy and creating long-term value for our stakeholders and University partners through effective Board leadership and strong corporate governance.

The corporate governance report for the year ended 31 August 2022 provided below sets out our approach to governance and how it supports our strategy, the Board, the Committees', and the key priorities during the year. As we look to 2022/23, we will ensure we will implement the feedback and recommendations gained through our Board effectiveness review.

Corporate Governance Statement

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

We have remained committed to our purpose; the Group's strategic priorities are Grow, Preserve Partner, Innovate and Deliver, which aim to foster a culture of accountability and efficiency, which stimulates sustainable business growth in line with our long-term business model. Our culture supports the Group's mission to provide a pragmatic and sensible regulatory regime which appropriately balances the needs and interests of all of our stakeholders, and also our people.

Corporate governance is embedded across the Group with a robust governance structure in place which operates at four discrete levels, each providing the opportunity for Directors, the Executive Leadership Team, and other Senior Officers of the business to review, challenge and maintain oversight of measures in place to manage the risks faced by the business. This oversight consists of:

- 1st level: The quarterly meetings of the parent company Board (UPP REIT Holdings Limited)
- 2nd level: The meetings of the UPP Group Holdings Board which occur every other month.

  Both these Boards have Shareholder appointed Directors and Executive Directors and monitor the performance of the Group and management against the goals and objectives set. Comprehensive performance reporting, including variances from plans and forecasts, is provided to the Board on a quarterly basis. Results are reported against budget and the prior year performance.

- 3rd level of oversight and challenge is where the UPP REIT Holdings Limited Board has delegated some of its responsibilities and scrutiny levels to the Investment Committee, the Audit and Risk Committee and Remuneration Committees.

  The Committees meet as dictated by their terms of reference and are empowered to make decisions or recommendations to the UPP Group Holdings Board and UPP REIT Holdings Limited Board, recognising matters reserved for either the Group or Shareholders. The work of the Committees continues to be reviewed to ensure they focus on the business strategy, policy and governance and add value and expert knowledge to these areas.

- 4th level of oversight is the management and relationship with our University Partners. In the case of individual Special Purpose Vehicles (SPVs), formal SPV Board Meetings and Partnership Boards take place on an alternating basis, with University Partner representation where a minority shareholding exists.

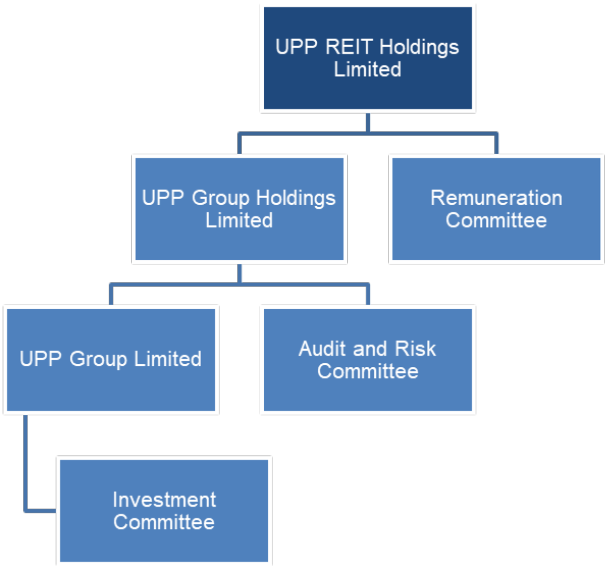
UPP REIT Holdings Limited
Statement from the Chairman (continued)

Governance Structure

The UPP REIT Holdings Limited Board is responsible for the strategic direction and integrated governance of the Group and is the parent of UPP Group Holdings Limited Board. In fulfilling these responsibilities, the UPP REIT Holdings Limited Board reserves certain decision-making powers, including decisions on strategy and budgets, but other key duties have been delegated to the UPP Group Holdings Limited board and its delegated committees.

Each of the committees has terms of reference detailing their roles and responsibilities and these are reviewed by the respective board annually. There is Board representation on each of these committees and regular reporting is provided on their activities.

Focused view of the governance structure



Board Composition

UPP REIT Holdings Limited is comprised of an Independent Chairman, the Chief Executive Officer, Chief Financial Officer, and Non-Executive Directors as representatives of UPP's shareholders.

The UPP Group Holdings Board is comprised of the Independent Chairman, the Chief Executive Officer, representatives of UPP's shareholders as well as UPP Directors from the Executive Leadership Team including the Chief Financial Officer. This ensures the right blend of commercial and governance experience, independence, and challenge to enable the Directors to discharge their duties and responsibilities effectively. We ensure that the diverse range of skills and backgrounds of the Directors prevents any undue individual or collective influence over the Board's decision making.

UPP REIT Holdings Limited
Statement from the Chairman (continued)

Roles of the Chairman, Chief Executive Officer and Board

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

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

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

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

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

- To set and oversee the strategic direction
- Support executive management, whilst providing constructive challenge and rigour and bring sound judgement and objectivity to the Board's decision-making process
- Continued appraisal of the financial and operational performance
- To discharge their duties of regulation and control
- To receive reports and updates from the directorates and Committees
- To approve and adopt the Annual Report and Accounts.

Matters Reserved for the Board

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

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

UPP REIT Holdings Limited
Statement from the Chairman (continued)

formal schedule is reviewed annually to ensure that it remains fit for purpose and sets the parameters for management and expectation for internal controls. The Board has sufficient members to contain the appropriate balance of skills and experience to effectively operate and control the business. No one individual has unfettered powers to make decisions.

Executive Leadership Team

The Executive Leadership Team are responsible for the leadership and day-to-day management of the Group. This includes formulating and recommending the Group's strategy for Board approval and then executing the approved strategy.

Directors	Status
Elaine Hewitt	CEO
Henry Gervaise-Jones*	CFO
Mark Bamford	CFO (appointed 3 October 2022)
Paul Milner***	Managing Director (
Mark Swindlehurst**	Managing Director
Kelly Stafford	CHRO
Karen Morgan	Business Development Director
Kate Owen	CMO
Matt Burton	Executive Director (appointed 6 October 2022)
Adam Tyson	Executive Director (appointed 6 October 2022)

Henry Gervaise-Jones* resigned 29 April 2022

Mark Swindlehurst** resigned 2 February 2022

Paul Milner *** resigned 12 January 2023

Board of Directors

Directors	Status
Rob McClatchey	**Chair**
Elaine Hewitt	**CEO**
Henry Gervaise-Jones*	CFO
Mark Bamford	**CFO**
Stuart Bousfield	**Non-Executive Director/ Shareholder representative**
Natasha Mol-Knechtel	**Non-Executive Director/ Shareholder representative**
Irina Frolova	**Non-Executive Director/ Shareholder representative**
Hendrik Huizing	Non-Executive Director/ Shareholder representative
Jingshen Hu	Non-Executive Director/ Shareholder representative
Chilei Kao	**Non-Executive Director/ Shareholder representative**
Jaime Cuervo	**Non-Executive Director/ Shareholder representative**
Andrew Wilkie	Non-Executive Director/ Shareholder representative

Bold denotes – current Directors

UPP REIT Holdings Limited
Statement from the Chairman (continued)

Changes to the Board

For the financial year ended 31 August 2022, the changes in the composition of the UPP REIT Holdings Limited Board are as follows:

- Henry Gervaise-Jones resigned on 29 April 2022
- Irina Frolova resigned on 12 May 2022
- Stuart Bousfield was appointed on 12 May 2022
- Paul Milner resigned 12 January 2023

Please note the following changes have been made to the UPP REIT Holdings Limited Board since 31 August 2022:

- Jingshen Hu resigned on 6 September 2022
- Andrew Wilkie resigned on 6 September 2022
- Chilei Kao was appointed on 6 September 2022
- Jaime Cuervo was appointed on 6 September 2022
- Mark Bamford was appointed on 3 October 2022
- Hendrik Huizing resigned on 18 October 2022
- Natasha Mol-Knechtel was appointed on 9 November 2022

Robert McClatchey, Chairman

Robert was appointed Chairman of UPP Group Holdings Limited in 2016 and is Chair of the Audit and Risk Committee of UPP Group Holdings Limited and Remuneration Committee of UPP REIT Holdings Limited. He has had a long association with the business, having been involved in the development of UPP since its inception. Robert was a founder member of the Barclays Infrastructure Funds and Managing Director of Barclays Infrastructure Funds Management (BIFM). Whilst at BIFM, Robert led the private equity buyout of UPP from Jarvis plc and was subsequently fully involved in the establishment of the current Group structure. He was also instrumental in the sale of the Group to its current Shareholders. He is a qualified Chartered Accountant.

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

Elaine Hewitt, Chief Executive Officer

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

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

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

Mark Bamford, Chief Financial Officer

Mark was appointed CFO shortly after the financial year end following the departure of Henry Gervaise-Jones. Mark joined UPP from Thames Water where he was Group Financial Controller and Finance Director Operations and Capital Delivery since 2017. Mark has 25 years of experience in the telecommunications, utilities, financial and professional services sectors.

Before joining Thames Water, Mark spent six years at Arqiva, the UK communications and broadcasting infrastructure company, in the roles of Finance Director and Director, Wireless Infrastructure Management. Mark has also held a role as Vice President at Macquarie Group the global financial services provider and qualified as a Chartered Accountant (ICAEW) in 2001.

Boards' Activities

Name:
UPP REIT Holdings Limited

Chair:
Rob McClatchey

Members:
Elaine Hewitt
Henry Gervaise-Jones
Hendrik Huizing
Andrew Wilkie
Irina Frolova
Jingshen Hu

Number of meetings in 2021/22:
4

Attendance:

	Attendance percentage
Rob McClatchey	100%
Elaine Hewitt	100%
Henry Gervaise-Jones	100%
Hendrik Huizing	100%
Andrew Wilkie	100%
Irina Frolova	100%
Jingshen Hu	0%
Stuart Bousfield	100%

Stuart Bousfield * attended the 1 out of 1 meeting as a serving Director thus attendance is 100%

Role of the Board:

The role of the UPP REIT Holdings Limited Board is to oversee the stewardship, accountability, and leadership of the Company, providing clear sighted counsel and supervision on the strategic direction of the Company and alignment to its goals.

All members are supplied in advance with appropriate, clear, and accurate information covering matters which are to be considered.

Key highlights and priorities for the year:

- Holding the organisation to account for performance and the proper running of the organisation

- Reviewing the performance against the identified key performance indicators and strategic goals
- Providing effective financial stewardship and reviewing the current financial position
- Review of the business development pipeline
- Approval of the organisational strategy
- Approvals of Property Income Distributions ("PID")

Name:
UPP Group Holdings Limited

Chair:
Rob McClatchey

Members:
Elaine Hewitt
Henry Gervaise-Jones
Hendrik Huizing
Andrew Wilkie
Mark Swindlehurst
Paul Milner
Irina Frolova
Jingshen Hu
Stuart Bousfield

Number of meetings in 2021/22:
6

Attendance:

	Attendance percentage
Rob McClatchey	100%
Elaine Hewitt	100%
Henry Gervaise-Jones	100%
Hendrik Huizing	100%
Andrew Wilkie	100%
Mark Swindlehurst	67%
Paul Milner	83%
Irina Frolova	83%
Jingshen Hu	0%
Stuart Bousfield	100%

Role of the Board:

The role of UPP Group Holdings Limited Board is to oversee the stewardship, accountability, and leadership of the Company, providing clear sighted counsel and supervision on the strategic direction of the Company and alignment to its goals.

All members are supplied in advance with appropriate, clear, and accurate information covering matters which are to be considered.

Key highlights and priorities for the year:

- Carrying out a robust assessment of the emerging and principal risks
- Review of the strategic business plan
- Review of the Sustainability Report
- Delivered against the majority of its agreed key performance indicators, and ensured that any performance issues have been addressed through appropriate recovery plans
- Maintained its robust performance reporting mechanism using a dashboard approach
- Receiving the report of the external auditors

Name:
Audit and Risk Committee
(a committee of UPP Group Holdings Limited)

Chair:
Rob McClatchey

Members:
Hendrik Huizing
Andrew Wilkie
Irina Frolova
Stuart Bousfield

Number of meetings in 2021/22:
4

Attendance:

	Attendance percentage
Rob McClatchey	100%
Irina Frolova	50%
Hendrik Huizing	75%
Andrew Wilkie	100%
Stuart Bousfield	100%

Additional attendees are invited to attend meetings to assist with committee business. For 2021/2022, these have included our key internal stakeholders.

Role of the Committee:

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

All members are supplied in advance with appropriate, clear, and accurate information covering matters which are to
be considered.

Key highlights and priorities for the year:

- Review of the Internal Audit Plan 2022 and reviewing audit report and recommendations
- Monitoring the integrity of the financial statements
- Review of the Corporate Risk Register and mitigations in place - detailed examinations of the existing and emerging risks across the business
- Reviewing the effectiveness of risk identification and mitigation
- Consider the adequacy of management's response to issues identified by audit activity
- Receiving the report of the external auditors

Name:
Investment Committee
(a committee of UPP Group Holdings Limited)

Chair:
Tony Brown
Members:
Elaine Hewitt
Henry Gervaise-Jones
Mark Swindlehurst
Paul Milner

Number of meetings in 2021/22:
10

Attendance:

	Attendance percentage
Elaine Hewitt	80%
Tony Brown	100%
Henry Gervaise-Jones	100%
Mark Swindlehurst	100%
Paul Milner	100%

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

All members are supplied in advance with appropriate, clear, and accurate information covering matters which are to be considered.

Key highlights and priorities for the year:

- Oversight of the group's investment and performance, consistent with the bidding framework agreement and other policies
- Review of existing Investment and performance
- Review of potential business proposals, opportunities, bids, and appraisals
- Review of prospective investment and costs to assets
- Business development
- Portfolio optimisation

Name:
Remuneration Committee
(a committee of UPP REIT Holdings Limited)

Chair:
Rob McClatchey

Members:
Hendrik Huizing
Andrew Wilkie
Stuart Bousfield

Number of meetings in 2021/22:
5

Attendance:

	Attendance percentage
Rob McClatchey	100%
Hendrik Huizing	100%
Andrew Wilkie	83%
Stuart Bousfield	100%

Role of the Committee:

The purpose of the Remuneration Committee is to establish and monitor the formal and transparent procedure and policy on executive and senior staff recruitment and remuneration, and to set the remuneration packages of individual directors. The committee reviews and makes recommendations to the Board on the total compensation package of each of the Group's directors and senior executives and may be assisted in this process by external consultants. The committee makes recommendations to the Board in respect of share awards and, where relevant, associated performance condition

All members are supplied in advance with appropriate, clear, and accurate information covering matters which are to be considered.

Key highlights and achievements for the year:

- Approving the annual budget for pay and performance awards
- Approving the remuneration of the executives within its remit
- Supporting director recruitment

Quoted Companies Alliance ('QCA') Corporate Governance Code ('the Code')

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

Board and Committee Performance Evaluation and Effectiveness

The QCA Code recommends that an evaluation of the effectiveness of the Board and its Committees should be undertaken externally every three years and internally in the intervening years. UPP conducted one in August 2021 which examined the UPP Board/Committee structure; conduct of meetings; corporate strategy and planning; governance; risk management and internal controls; financial planning; measuring and monitoring performance; and investor relations

Following the questionnaire and review of results, the results showed that the Board collectively wanted to improve their knowledge on new building and health and safety legislation as well as opportunities for self-development through membership with governance institutions. This also formed part of the recommendations and has been extended to all directors at UPP.

The effectiveness of the Board and its committees will be kept under review in accordance with corporate governance best practice

Succession planning

The Board considers that all of the directors bring strong independent oversight and continue to demonstrate independence.

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

Board Diversity

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

Conflicts of Interest and Related Parties

Under the Company's Articles of Association, the Board may authorise any actual or potential conflicts of interest that may arise and impose limits or conditions as appropriate.

Each Director provides the Company Secretary with information regarding any actual or potential interests that may conflict with those of the Group, such as other external directorships, and any other potential interests that each think may cause a conflict requiring prior Board authorisation on an annual basis. If the circumstances of any of these disclosed interests change, the relevant Director is required to advise the Company Secretary promptly. In addition, Directors are required at the start of each Board and Committee meeting to declare any personal interest they might have in any business on the agenda and abstain from relevant Board or Committee discussion as required. Where potential conflicts arise, they are recorded in the Board and Committee minutes along with any appropriate action to address them.

Any decision of the Board to authorise a conflict of interest, whether matter-specific or situational, is only effective if it is agreed without the participation of the conflicted Director(s) in the decision, and in making such a decision, as always, the Directors must act in a way they consider in good faith will be most likely to promote the success of the Group.

The Group has established a procedure whereby actual or potential conflicts of interest are registered. These are reviewed annually by the Board to ensure that the authorisation granted to the Directors, and any conditions attached to them, are appropriate for the relevant matter to remain authorised and the appropriate authorisation is sought prior to the appointment of any new Director or if a new conflict arises.

As a result, the Board took appropriate steps to manage any potential conflicts of interest that arose during the year. The register of interests and related parties register is maintained by the Company Secretary.

Risk Management Process

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

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

- risk description;
- current assessment of likelihood and impact (assessed over a number of risk impacts including financial, regulatory, reputation and customer risk);
- the ongoing controls or mitigation activity in place; and
- planned future mitigation activity with owners and completion dates
- regular 'deep dives' from the top 10 are undertaken, where the risk owners present a deeper analysis of risks and further mitigations are discussed

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

Internal Audit

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

The Group's Internal Audit function focuses on performing a programme of reviews of processes and controls implemented across the Group. Internal Audit plans focus on key strategic risk areas. Internal Audit findings are presented to the Audit and Risk Committee, the relevant Executive Leadership team member, the Director of Governance, Risk and Compliance, and the Chief Financial Officer for review. All actions coming from Internal Audit are tracked and reported to the business and the Audit and Risk Committee. The Committee is responsible for overseeing the work of the Internal Audit function.

Whistleblowing

The Group has adopted procedures by which all employees may, in confidence, report any concerns.

The Whistleblowing Policy sets out the ethical standards expected of all persons to whom the policy legally applies and includes the procedure for raising concerns in strict confidence. Employees are encouraged in the first instance to talk to their line manager or contact the central HR team directly. However, in circumstances when this is not possible or is inappropriate the Group has provided an independent, external whistleblowing hotline for the reporting of any such matters on a named or anonymous basis.

All reports are treated in strictest confidence and investigations are overseen by the Chief HR Officer and Director of Governance, Risk and Compliance as appropriate, to ensure that a thorough, fair, and transparent process is undertaken, and any actions addressed.

Stakeholder relations

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

The Group seeks to engage with debt investors as part of its wider Investor Relations Strategy and via its well-established Investor Centre. Our in-house Asset Finance team, led by our Group Investment Director, meet with individual investors on a regular basis to provide non-market sensitive updates, as well as when seeking to procure new tranches of debt. There is also frequent engagement in respect of current and prospective bilateral financings with existing and potential new investors, with the Asset Finance team having proved successful in their proactive initiatives in generating an increase in the number of institutional investors active in the market.

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

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

UPP REIT Holdings Limited
Environment, Sustainability and Governance (ESG)

Climate change concerns are driving major lifestyle shifts across student day-to-day lives. In recent external studies when choosing which brands to buy from, 76% of students said it was important that the brands they engage with should be working toward tackling climate change and 50% of students said that they are either a member of a society, organisation or campaign group focused on tackling climate change at university, or they are interested in joining one.

At UPP, we have adopted across the year a strategic reset of our ESG strategy with the sole purpose of outlining clear targets, issue transparent communication on intention and timeline, with a clear set of data points to track and report against each of the ESG pillars resulting in our first sustainability report issued earlier this year.

We have also continued to apply focus in improving our GRESB score and were delighted in March 2022 to have signed up to committing to the SBTi Net-Zero Standard contributing to setting a robust emissions reduction target at the pace and scale required by climate science, joining the Business Ambition for 1.5°C campaign - the world's largest and fastest-growing group of companies that are aligning with 1.5°C by helping to halve global emissions by 2030.

Our long-term commitment to UK HE is mirrored throughout our approach to ESG and as part of our strategic reset we have undertaken a detailed materiality assessment with UPP identifying 5 priority areas of focus under each of the environment, social and governance pillars as follows with an associated roadmap of actions and targets assigned to each:

- Environment – Energy & Carbon, Water, Waste, Sustainable Design and Bio-Diversity
- Social – Equality, Diversity and Inclusion, Health and Wellbeing, Jobs & Skills, Community and our UPP Foundation
- Governance – Ethical Procurement, ESG Employee Voice, Bribery & Corruption, Corporate Governance and ESG Accountability.

Our revised approach has provided greater consistency across the three areas of ESG as it relates to tracking shorter term annual performance whilst also setting out longer terms goals and aspirations to help meet the needs and demands of our people, students, partners and stakeholders across sustainability and ESG areas.

Global Real Estate Sustainability Benchmark (GRESB)

For the financial year 2021/22 the Company has continued to report against the GRESB framework. GRESB is an investor driven, global ESG benchmark and reporting framework assessing the performance of infrastructure funds and assets. The infrastructure benchmark includes 544 infrastructure funds and assets. The annual framework validates, scores and benchmarks ESG performance information to the benefit of the Group, our Shareholders and the wider market using a global industry standard.

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

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

For the financial year 2021/22 the Company received a score of 75/100, up from 66/100 in the prior year.

UPP REIT Holdings Limited
Directors' report
for the year ended 31 August 2022

The Directors present their report for the year ended 31 August 2022.

Principal activity

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

Corporate information

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

Going concern

The Directors have reviewed the Group's projected profits and cash flows which they have prepared on the basis of a detailed analysis of the Group's finances, contracts and likely future demand trends. After consideration of these projections the Directors consider that the Group will be able to settle its liabilities as they fall due for at least the next 12 months and accordingly the financial statements have been prepared on a going concern basis. For more information refer to note 2.2

Financial risk management objectives and policies

The Group's financial risk management objectives and policies are considered to be of strategic significance and are therefore detailed in the Strategic Report on pages 5 to 19.

Dividend

The directors proposed and paid a dividend of £14.5 million (2021: £4.0 million).

Directors and their interests

The Directors holding office during the year ended 31 August 2022 are:

Stuart Bousefield	– appointed on 12 May 2022
Irina Frolova	– resigned on 12 May 2022
Henry Gervaise-Jones	– resigned on 29 April 2022
Elaine Hewitt	
Jingshen Hu	– resigned on 6 September 2022
Hendrik Huizing	– resigned on 18 October 2022
Robert McClatchey	
Andrew Wilkie	– resigned on 6 September 2022

The following were appointed after the year end:

Mark Bamford	– appointed on 3 October 2022
Chilei Kao	– appointed on 6 September 2022
Jaime Cuervo	- appointed on 6 September 2022
Natasha Mol-Knechtel	– appointed on 9 November 2022

At 31 August 2022 one of the previous directors held a beneficial interest in the 'B' ordinary shares of the wholly owned subsidiary company, UPP Group Limited. Also one other executives and six former executives held a beneficial interest in the 'C' ordinary shares of the wholly owned subsidiary company, UPP Group Holdings Limited. These shares hold no dividend or voting rights.

At 31 August 2022, other than the interest noted above, none of the directors had any beneficial interests in the shares of the company or in any of the subsidiary companies.

Statement of Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK-adopted international accounting standards.

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

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

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

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

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

We confirm that to the best of our knowledge that the directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

Qualifying Third Party Indemnity

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

UPP REIT Holdings Limited
Directors' report
for the year ended 31 August 2022 (continued)

Independent auditors

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

Signed in accordance with a resolution of the Directors.

By order of the Board

M Bamford
Director

20 January 2023

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

Opinion

We have audited the group financial statements of UPP REIT Holdings Limited ("the Company") and its subsidiaries (together "the Group") for the year ended 31 August 2022 which comprise the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows for the year then ended, and the related notes, including the accounting policies in note 2.
In our opinion the Group financial statements:

- give a true and fair view, in accordance with UK-adopted international accounting standards, of the state of the Group's affairs as at 31 August 2022 and of the Group's loss for the year then ended; and
- have been properly prepared in accordance with the Companies (Jersey) Law 1991.

Basis for opinion

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

Going concern

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

In our evaluation of the directors' conclusions, we considered the inherent risks to the Group's business model and analysed how those risks might affect the Group's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of the directors and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud;
- Reading Board Minutes;
- Considering remuneration incentive schemes and performance targets for Management;
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as valuation of service concession arrangements and valuation of derivative financial instruments.

On this audit, we do not believe there is a fraud risk related to revenue recognition because the Group's income primarily arises from:

- Contracts with universities with fixed periodic payments, and even though revenue is recognised over time, it is non-judgmental, straightforward and there is limited opportunity for manipulation; and
- Contracts with a subsidiary company that are contractual, non-judgmental, straightforward, with limited opportunity for manipulation. There is also third party income that with service providers that are straight forward, with limited opportunity **for management.**

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior finance management and journal entries made to unrelated accounts; and
- Assessing significant accounting estimates for bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the Directors and other Management (as required by auditing standards) and from inspection of the Group's regulatory and legal correspondence and discussed with the Directors the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout the audit team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements, including financial reporting legislation (including related companies' legislation), distributable profits and taxation legislation. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: property laws and building legislation, health and safety, employment laws, anti-bribery, other worker laws, recognising the nature of the Group's activities.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other Management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws or regulation.

Other information

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

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

Directors' responsibilities

As explained more fully in their statement set out on page 35, the directors are responsible for: the preparation of financial statements which give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

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

Craig Steven-Jennings (Senior Statutory Auditor)
for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square
London
E14 5GL

20 January 2023

UPP REIT Holdings Limited
Consolidated statement of profit or loss
for the year ended 31 August 2022

	Note	Year ended 31 August 2022 £'000	Year ended 31 August 2021 £'000
Rental and other income	7	209,587	229,724
Cost of sales		(81,306)	(100,837)
Gross profit		**128,281**	**128,887**
Operating expenses	8	(69,092)	(75,604)
Other operating expenses	25	(14,800)	(3,999)
Operating profit		**44,389**	**49,284**
Finance income	12	**15,541**	**10,007**
Senior financing interest		(108,793)	(71,727)
Other interest payable and similar charges		(20,849)	(21,249)
Finance cost total	13	**(129,642)**	**(92,976)**
Loss on ordinary activities before taxation		**(69,712)**	**(33,685)**
Tax on loss on ordinary activities	14	(3,142)	-
Loss for the financial year		**(72,854)**	**(33,685)**
Loss for the financial year attributable to:			
Non-controlling interests		(1,577)	(2,598)
Owners of the parent		(71,277)	(31,087)
Loss for the financial year		**(72,854)**	**(33,685)**

The above results all relate to continuing operations.

The notes on pages 46 to 103 form part of these financial statements.

UPP REIT Holdings Limited
Consolidated statement of other comprehensive income for the year ended 31 August 2022

	Note	Year ended 31 August 2022 £'000	Year ended 31 August 2021 £'000
Loss for the financial year		**(72,854)**	**(33,685)**
Items that will not be reclassified to profit and loss			
Actuarial gain relating to pension scheme	28	1,882	186
		1,882	**186**
Items that are or may be reclassified subsequently to profit and loss			
Fair value movements on swaps	23	37,666	(742)
		37,666	**(742)**
Total other comprehensive income/(loss) for the year		**39,548**	**(556)**
Total comprehensive income/(loss) for the year		**(33,306)**	**(34,241)**
Other comprehensive (loss)/income for the year attributable to:			
Non-controlling interests		674	(170)
Owners of the parent		38,874	(386)
Total		**39,548**	**(556)**
Total comprehensive loss for the year attributable to:			
Non-controlling interests		(903)	(2,768)
Owners of the parent		(32,403)	(31,473)
Total		**(33,306)**	**(34,241)**
Loss per share (in GBP)			
Basic		(70.0)	(30.5)
Diluted		(70.0)	(30.5)

The notes on pages 46 to 103 form part of these financial statements.

UPP REIT Holdings Limited
Consolidated statement of financial position as at 31 August 2022

	Note	31 August 2022 £'000	31 August 2021 £'000
Assets			
Non-current assets			
Property, plant and equipment	17	7,492	7,456
Service concession arrangements - intangible assets	15	1,579,385	1,619,823
Service concession arrangements - financial assets	21	138,336	142,472
Other intangible assets	16	115,661	116,457
Total non-current assets		**1,840,874**	**1,886,208**
Current assets			
Trade and other receivables	19	6,799	12,907
Service concession arrangements – financial assets	21	9,662	602
Financial assets	21	-	1,704
Cash at bank and in hand	21,34	167,818	179,242
Total current assets		**184,279**	194,455
Total assets		**2,025,153**	**2,080,663**
Equity and liabilities			
Liabilities			
Non-current liabilities			
Borrowings	22	1,777,295	1,762,376
Derivative financial instruments	23	160,252	184,196
Employee benefit obligations	28	193	1,999
Total non-current liabilities		**1,937,740**	**1,948,571**
Current liabilities			
Borrowings	22	49,452	51,092
Trade and other payables	20	11,692	14,154
Accrual and deferred income	20	42,492	46,334
Provisions	25	15,100	4,029
Total current liabilities		**118,736**	**115,609**
Total liabilities		**2,056,476**	**2,064,180**
Equity			
Called-up share capital	26	1,032	1,032
Share premium account		473,485	473,485
Capital reserves		23,428	23,428
Cash flow hedge reserve		(137,293)	(174,285)
Retained earnings		(373,155)	(289,260)
Equity attributable to owners of the parent company		**(12,503)**	**34,400**
Non-controlling interest		(18,820)	(17,917)
Total equity		**(31,323)**	**16,483**

The notes on pages 46 to 103 form part of these financial statements.
The financial statements were approved and authorised for issue by the Board on 20 January 2023 and were signed on its behalf by:

M Bamford
Director

UPP REIT Holdings Limited
Consolidated statement of changes in equity for the year ended 31 August 2022

	Share capital £'000	Share premium £'000	Capital reserve £'000	Cash flow hedge reserve £'000	Revaluation reserve £'000	Retained earnings £'000	**Shareholders' equity £'000**	Non-controlling interest £'000	**Total equity £'000**
	Attributable to equity holders of the parent company								
At 1 September 2021	**1,032**	**473,485**	**23,428**	**(174,285)**	**-**	**(289,260)**	**34,400**	**(17,917)**	**16,483**
Loss for the financial period	-	-	-	-	-	(71,277)	**(71,277)**	(1,577)	**(72,854)**
Other comprehensive income	-	-	-	36,992	-	1,882	**38,874**	674	**39,548**
Total comprehensive income/(loss)	**-**	**-**	**-**	**36,992**	**-**	**(69,395)**	**(32,403)**	**(903)**	**(33,306)**
Transactions with owners									
Dividends paid	-	-	-	-	-	(14,500)	**(14,500)**	-	**(14,500)**
At 31 August 2022	**1,032**	**473,485**	**23,428**	**(137,293)**	**-**	**(373,155)**	**(12,503)**	**(18,820)**	**(31,323)**
At 1 September 2020	**1,032**	**473,485**	**23,428**	**(173,713)**		**(254,359)**	**69,873**	**(15,149)**	**54,724**
Loss for the financial period	-	-	-	-		(31,087)	**(31,087)**	(2,598)	**(33,685)**
Other comprehensive income	-	-	-	(572)		186	**(386)**	(170)	**(556)**
Total comprehensive income	**-**	**-**	**-**	**(572)**		**(30,901)**	**(31,473)**	**(2,768)**	**(34,241)**
Transactions with owners									
Dividends paid	-	-	-	-	-	(4,000)	**(4,000)**	-	**(4,000)**
At 31 August 2021	**1,032**	**473,485**	**23,428**	**(174,285)**	**-**	**(289,260)**	**34,400**	**(17,917)**	**16,483**

The notes on pages 46 to 103 form part of these financial statements.

UPP REIT Holdings Limited
Consolidated statement of cash flows
for the year ended 31 August 2022

	Note	Year ended 31 August 2022 £'000	Year ended 31 August 2021 £'000
Loss for the financial year		**(72,854)**	**(33,685)**
Adjustments for:			
Tax on loss on ordinary activities	14	3,142	-
Net interest expense	12,13	114,102	82,970
Amortisation of service concession arrangements	15	40,438	38,615
Depreciation	17	1,102	1,703
Amortisation of computer software	16	827	400
Increase in provisions	25	9,265	3,636
		96,022	**93,639**
Decrease / (increase) in trade and other receivables due within one year		6,107	(2,787)
(Decrease) / increase in trade and other paybales due within one year		(1,709)	8,848
Net cash inflow from operating activities		**100,420**	**99,700**
Investing activities			
Interest received		546	851
Payments for intangible fixed assets		(31)	(37)
Payments for concession arrangements		(4,308)	(34,454)
Payments to acquire tangible fixed assets		(1,138)	(2,600)
Net cash flow used in investing activities		**(4,931)**	**(36,240)**
Financing activities			
New debt drawn		-	9,777
Repayment of senior debt		(13,444)	(8,548)
Repayment of fixed rate debt		(5,874)	(4,630)
Repayment of index-linked debt		(22,359)	(18,475)
Interest paid		(53,619)	(50,828)
Dividends paid		(14,500)	(4,000)
Lease payments		(310)	(314)
Interest received on finance receivables		3,193	4,725
Net cash flow used in financing activities		**(106,913)**	**(72,293)**
Decrease in cash and cash equivalents		**(11,424)**	**(8,833)**
Cash and cash equivalents at 1 September 2021	34	179,242	188,075
Cash and cash equivalents at 31 August 2022	34	**167,818**	**179,242**

The notes on pages 46 to 103 form part of these financial statements.
The financial statements were approved and authorised for issue by the Board on 20 January 2023 and were signed on its behalf by:

M Bamford
Director

UPP REIT Holdings Limited
Notes to the financial statements
for the year ended 31 August 2022

1. General information

UPP REIT Holdings Limited ('the Company') is a closed-ended UK REIT and the parent of the UPP REIT Holdings Group ('the Group'). The Company was incorporated on 18 April 2017. As a result of the Group restructuring in February 2018, the Company became the Parent Company of UPP Group Holdings Limited, trading as University Property Partnerships ('UPP').

The consolidated financial statements of UPP REIT Holdings Limited and its subsidiaries (the Group) for the year ended 31 August 2022 were authorised for issue in accordance with a resolution of the Directors on February 2023. UPP REIT Holdings Limited is private company limited by shares and incorporated on 18 April 2017 in Jersey, with a company number 123688. The company is listed on The International Stock Exchange and the shares are not traded. The registered office is IFC 5, St. Helier, Jersey, JE1 1ST

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

2. Accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the UK (UK-adopted international accounting standards) and in accordance with the Companies (Jersey) Law 1991.

The financial statements have been prepared on the historical cost basis except for derivative instruments that have been measured at fair value. The accounting policies set out below, unless otherwise stated, have been applied consistently to all periods presented in these group financial statements.

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

The preparation of consolidated financial statements in compliance with IFRS requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies (see note 5).

The Group elected not to present Company's financial statements as it is not a requirement under the Companies (Jersey) Law 1991.

2.2 Going concern

Notwithstanding a consolidated loss of £72,854k and consolidated net liabilities of £31,323k for the year ended 31 August 2022, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

In preparing these financial statements, the directors have considered the impact of the current inflationary environment on the ability of the Group to continue as a going concern by preparing a cash flow forecast through to 31 August 2024, modelling a severe but plausible downside scenario that demonstrates that the Group is expected to have sufficient funds to meet its obligations as they fall due over the period of at least 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. In addition, there are contractual mechanisms in place that allow for rental uplifts as a result of inflation.

For the 2022/23 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 but plausible downside scenario and, as a result, the risk around revenues leading to non-compliance with financial covenants for the 2022/23 year remains low. The directors consider the Group's costs to be reasonably controllable and, whilst there are likely to be increased costs arising from inflationary pressures and geopolitical issues, these are either likely to be offset by cost savings elsewhere or not considered sufficient to threaten the viability of the business. The Directors believe that the fundamentals of the market for student accommodation remain supportive to the long-term success of the business.

The Group's net liabilities position is driven in part by the Group's Service Concession Agreement assets being carried at amortised cost rather than fair value. In addition, index linked borrowing uplifts have occurred as a result of an increase in RPI, resulting in the Group moving into a net liabilities position. The Group's borrowings are contractually long-dated and the Group's modelling described above shows that the Group is expected to have sufficient funding to meet these obligations as they arise, even in a plausible downside scenario. Furthermore, the Group is in a net current asset position with sufficient liquidity to cover its obligations.

On this basis, the directors are confident that the Group will have sufficient funds to meet its liabilities as they fall due for at least twelve months from the date of approval of the financial statements, and therefore have prepared the financial statements on a going concern basis.

2.3 Basis of consolidation

The Group financial statements consolidate the financial statements of UPP REIT Holdings Limited and its subsidiary undertaking using the business combination under common control method from the date control passes to the Group. All subsidiaries have a reporting date of 31 August besides UPP (Lancaster) Holdings Limited with a reporting date of 30 September. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

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

2.4 Business combinations and goodwill

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

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

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

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

2.5 Investments in subsidiaries

Investments in subsidiaries are measured at cost less accumulated impairment.

2.6 Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

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

2.7 Intangible assets (except service concession arrangements)

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

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

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

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

2.8 Property, plant and equipment

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

Depreciation is calculated on straight-line basis, so as to write off the cost of the assets, less any residual value, over the expected useful economic lives of the assets concerned once construction is complete. The principal rates of depreciation used for this purpose are 3 to 10 years for fixtures and fittings.

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

2.9 Service concession arrangements

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

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

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

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

In the financial asset model, the amount due from the grantor meets the definition of a receivable which is measured initially at fair value. It is subsequently measured at amortised cost. The amount initially recognised plus the cumulative interest on that amount is calculated using the effective interest rate (EIR) method.

Any asset carried under concession arrangements is derecognised on disposal or when no future economic benefits are expected from its future use or disposal or when the contractual rights to the financial asset expire.

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

Costs incurred to fulfil a contract with a customer are capitalised as part of the cost of respective assets, including construction work in progress and intangible assets, that meet the following criteria:
- they relate directly to an existing contract or specific anticipated contract;
- they generate or enhance resources of the entity that will be used to satisfy the performance obligations in the future; and
- they are expected to be recovered.

2.10 Leases

At inception of the contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:
- the contract involves the use of an identified asset
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use, and
- the Group has the right to direct the use of an asset.

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

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

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

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

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

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

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

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

2.11 Revenue

Student accommodation rental income

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

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

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

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

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

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

Intangible asset

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

Financial asset

- Revenue from the concession arrangements earned under the financial asset model falls under IFRS 9 *Financial instruments* and consists of the (i) fair value of the amount due from the grantor and (ii) interest income related to the capital investment in the project.
- During the construction phase, fair value of amount due from grantor represents the cost arising on the construction of the asset plus a margin that is negligible.
- Interest income is measured using the effective-interest method and recorded when the asset is set up during construction as well as during the operational phase of the contract.

Construction services

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

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

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

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

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

During the construction phase, the service concession grantor gives the Group non-cash consideration in the form of an intangible asset being a licence to charge users of the public service, or financial asset, in exchange for construction services. The operator measures the intangible asset initially at cost, being the amount of the contract asset recognised during the construction phase in accordance with IFRS 15.

Facility management services

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

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

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

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

Management and development

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

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

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

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

2.12 Financial instruments

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

Trade receivables are recognised initially when they are originated.

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

A financial asset (unless it is trade receivable without a significant financing component) or financial liability is initially measured at fair value plus or minus; for an item not at

FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at transaction price.

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

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

Financial assets at amortised cost are the financial asset held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. After initial measurement, such financial assets are subsequently measured at amortised cost using the EIR method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables. This category generally applies to trade and other receivables and also to service concession financial assets.

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

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

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

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

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

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

Derecognition

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

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

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

Impairment of financial assets

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

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

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

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

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

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

Interest rate benchmark reform

When the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortised cost changed as a result of interest rate benchmark reform, the Group updated the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequence of the reform; and

- the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

When changes were made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Group first updated the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. After that, the Group applied the policies on accounting for modifications to the additional changes.

2.13 Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group has entered into inflation-linked swaps (RPI swaps) and interest rate swaps (IR swaps) with external parties to manage its exposure to changes in inflation and the Sterling Overnight Indexed Average (SONIA) rates respectively.

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

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

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

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

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

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

Cash flow hedges

The Group applies hedge accounting for transactions entered into to manage the cash flow exposures of borrowings and rental income. The Group designates all its derivative financial instruments, which meet the qualifying conditions for hedge accounting, as cash flow hedges. IR swaps are held to manage the SONIA rate exposures of the senior bank debt by swapping the SONIA-linked interest payments for fixed-rate interest payments. Inflation swaps are held to manage the Group's exposure to changes in RPI. The Group's net rental income from student accommodation is exposed to the RPI changes. The swap contracts manage the exposure to RPI by swapping RPI annual rate changes with a fixed rate.

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

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

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

Hedges directly affected by interest rate benchmark reform

The Group has adopted the Phase 2 amendments and retrospectively applied them from 1 September 2021. When the basis for determining the contractual cash flows of the hedged item or hedging instrument changes as a result of IBOR reform and therefore there is no longer uncertainty arising about the cash flows of the hedged item or the hedging instrument, the Group amends the hedge documentation of that hedging relationship to reflect the change(s) required by IBOR reform. For this purpose, the hedge designation is amended only to make one or more of the following changes:

- designating an alternative benchmark rate as the hedged risk;
- updating the description of the hedged item, including the description of the designated portion of the cash flows or fair value being hedged; or
- updating the description of the hedging instrument.

The Group amends the description of the hedging instrument only if the following conditions are met:

- it makes a change required by IBOR reform by changing the basis for determining the contractual cash flows of the hedging instrument or using another approach that is economically equivalent to changing the basis for determining the contractual cash flows of the original hedging instrument; and
- the original hedging instrument is not derecognised.

The Group amends the formal hedge documentation by the end of the reporting period during which a change required by IBOR reform is made to the hedged risk, hedged item or hedging instrument. These amendments in the formal hedge documentation do not constitute the discontinuation of the hedging relationship or the designation of a new hedging relationship.

If changes are made in addition to those changes required by IBOR reform described above, then the Group first considers whether those additional changes result in the discontinuation of the hedge accounting relationship. If the additional changes do not result in the discontinuation of the hedge accounting relationship, then the Group amends the formal hedge documentation for changes required by IBOR reform as mentioned above.

When the interest rate benchmark on which the hedged future cash flows had been based is changed as required by IBOR reform, for the purpose of determining whether the hedged future cash flows are expected to occur, the Group deems that the hedging reserve recognised in OCI for that hedging relationship is based on the alternative benchmark rate on which the hedged future cash flows will be based.

2.14 Impairment of non-financial assets

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

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

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

2.15 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly-liquid investments that mature in no more than 95 days from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the Consolidated Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

2.16 Finance costs

Financing costs, comprising interest payable on loans, secured and unsecured notes and the costs incurred in connection with the arrangement of borrowings are recognised in profit or loss using the EIR method. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument unless the capital instrument is subsequently carried at fair value in which case the initial issue costs are expensed in the profit and loss account.

Financing costs also include losses or gains arising on the change in fair value of hedging instruments that are recognised in profit or loss.

2.17 Borrowing costs

Borrowing costs directly attributable to the acquisition and construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets, including intangible service concession arrangement assets. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.18 Taxation

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

- arising on the initial recognition of assets or liabilities, other than on a business combination, that affect neither accounting nor taxable profit and

- relating to investments in subsidiaries to the extent that they will not reverse in the foreseeable future.

2.19 Defined contribution pension scheme

Contributions to employees' personal pension arrangements during the period are charged to the profit and loss account as incurred. For eligible employees, contributions are made to employees' personal pension schemes, based on a predetermined percentage of individuals' salaries.

2.20 Defined benefit pension plan

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

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

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

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

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

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

2.21 Long-term incentive scheme

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

2.22 Share-based payments

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

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

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

2.23 Long-term incentive cash payments

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

2.24 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation. Where settlement is only possible or the amount cannot be reliably measured then a contingent liability is disclosed.

Provisions are charged as an expense to the profit and loss in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

3. Impact of new accounting standards and interpretations – applicable 1 January 2022

COVID-19 Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS16)

In May 2020, COVID-19-Related Rent Concessions (the 2020 amendments), which amended IFRS 16 Leases, was issued. The 2020 amendments introduced an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. Under that practical expedient, a lessee is not required to assess whether eligible rent concessions are lease modifications, instead accounting for them in accordance with other applicable guidance.

A one-year extension to the practical expedient for COVID-19 related rent concessions under IFRS 16 Leases has been published by the International Accounting Standards Board (the Board). COVID-19-Related Rent Concessions beyond 30 June 2021 (the 2021 amendment) is a response to the ongoing economic challenges resulting from the COVID-19 coronavirus pandemic. The extension is available for adoption immediately, subject to any local endorsement requirements.

This amendment does not have a material impact on the Group's financial statements.

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

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

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

Change in basis for determining cash flows

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

At 31 August 2022, the Group has £963,823k LIBOR secured bank loans that were subject to IBOR reform. The interest rate benchmark for these loans was changed to SONIA in.

3. Impact of new accounting standards and interpretations (continued)

2022 and no significant modification gain or loss arose as a result of applying the amendments to these changes

Hedge accounting

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

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

Further detail on the Group's treatment of the transition can be found in note 2.13

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

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendments apply for annual reporting periods beginning on or after 1 January 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other components of equity, as appropriate. The comparatives are not restated. This amendment does not have a material impact on the Group's financial statements.

Reference to the Conceptual Framework – Amendments to IFRS 3

Minor amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date. The Group assessed that this amendment will not have a material impact on the Group's financial statements.

Annual Improvements to IFRS Standards 2018–2020

The following improvements were finalised in May 2020:

- IFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities.
- IFRS 16 Leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.
- IFRS 1 First-time Adoption of International Financial Reporting Standards – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.

The Group assessed that this amendment will not have a material impact on the Group's financial statements.

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

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

Classification of Liabilities as Current or Non-current - Amendments to IAS 1

Making this allocation of costs may require significant estimation and judgement. Companies in the extractive industry may need to monitor costs at a more granular level. The amendments apply for annual reporting periods beginning on or after 1 January 2022, with earlier application permitted. The Group assessed that this amendment will not have a material impact on the Group's financial statements.

Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2

The IASB amended IAS 1 to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information. To support this amendment, the IASB also amended IFRS Practice Statement 2 Making Materiality Judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures. The amendments apply for annual reporting periods beginning on or after 1 January 2023. The Group assessed that this amendment will not have a material impact on the Group's financial statements.

Definition of Accounting Estimates – Amendments to IAS 8

The amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period. The amendments apply for annual reporting periods beginning on or after 1 January 2023. The Group assessed that this amendment will not have a material impact on the Group's financial statements.

UPP REIT Holdings Limited
Notes to the financial statements (continued)
for the year ended 31 August 2022

5. Judgements and key sources of estimation uncertainty

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

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

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

Estimates in relation to valuation of RPI and IR swaps

Derivatives are initially recognised at fair value at the date a derivative is entered into and are subsequently remeasured to their fair value at each reporting date.

Fair value estimates of derivatives are based on relevant market information and information about the financial instruments which are subjective in nature. The fair value of these financial instruments is determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves, spot and forward rates, as well as option volatility.

The Group incorporates credit and debit valuation adjustments to appropriately reflect both its own non-performance risk and the respective counterparty's non-performance risk in the fair value measurements.

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

The Group has used a third-party expert to assist with valuing derivative instruments. For further information on the estimation uncertainty at the end of the reporting period refer to note 36.1.

Estimates in relation to impairment of non-financial assets

The Group assesses at each reporting date whether an asset may be impaired. For assets that are amortised or depreciated if there is any such indication of impairment, the Group estimates the recoverable amount of the asset. For goodwill or assets under construction, the impairment assessment is performed annually. If it is not possible to estimate the recoverable amount of the individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs. The recoverable amount of an asset or CGU is the higher of its fair value less costs to sell and its value in use. If the recoverable amount is less than its carrying amount, the carrying amount of the asset is impaired and it is reduced to its recoverable amount through impairment in profit and loss unless the asset is carried at a revalued amount where the impairment loss of a revalued asset is a revaluation decrease.

For goodwill or assets under construction, the impairment loss recognised for all assets is reversed in a subsequent period only if the reasons for the impairment loss have ceased to apply. For further information on the estimation uncertainty at the end of the reporting period refer to note 15 and note 16.

Estimates in relation of defined benefit pension plan valuation

The cost of defined benefit pension plans and other post-employment medical benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. It is updated annually by qualified third part actuarial consultants. Due to the complexity of the valuation, the underlying assumptions and the long-term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of high-quality corporate bonds in the respective currency, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables. Future salary increases and pension increases are based on expected future inflation rates. For further information on the estimation uncertainty at the end of the reporting period refer to note 28

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

Judgement of fair value level classification

Although the Group has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit and debit valuation adjustments associated with its derivatives utilise Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by itself and its counterparties. However, as of 31 August 2022, the Group has assessed the significance of the impact of the credit and debit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit and debit valuation adjustments are not significant to the overall valuation of its derivatives. As a result, the Group has determined that its derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy.

Judgement in hedge accounting for inflation swaps

The Group has chosen to apply hedge accounting for all hedging instruments which are in a qualifying hedging relationship under IFRS 9. Significant judgement is exercised in concluding that the forecasted cash flows that are hedged items are highly probable. Also, a judgement is exercised in relation to the fact that, future inflationary increases or decreases in rent receivable from university partners are separately identifiable and reliably measurable components of the rental income, which ensures the inflation component of rental income and the related RPI swaps are in a hedging relationship, which meets the qualifying criteria for hedge accounting under IFRS 9.6.9.1(c).

6. Segment information

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

- SPVs - performing development, funding, construction and operation of student accommodation under the University Property Partnerships
- UPP Residential Services Limited (URSL) - providing facilities management services to SPVs
- UPP Projects Limited (UPL) - securing of long-term bespoke partnership agreements to design, build and finance student accommodation and related academic infrastructure.

The Group's management monitors the operating results of its segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

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

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

Adjustments and eliminations include financing, general Group management and REIT level tax charges that are not considered by management as a separate reporting segment.

6. Segment information (continued)

Year ended 31 August 2022	Note	SPVs	URSL	UPL	Total segments	Adjustments and eliminations	Consolidated
		£'000	£'000	£'000	£'000	£'000	£'000
Rental and other income – external		204,107	5,480	-	209,587	-	209,587
Rental and other income – internal	A	-	32,261	-	32,261	(32,261)	-
Cost of sales	B	(76,060)	(34,079)	(886)	(111,025)	29,719	(81,306)
Gross profit		**128,047**	**3,662**	**(886)**	**130,823**	**(2,542)**	**128,281**
Operating expenses	B	(47,672)	(5,493)	(1,274)	(54,439)	(14,653)	(69,092)
Other operating expenses		(14,800)	-	-	(14,800)	-	(14,800)
Operating profit		**65,575**	**(1,831)**	**(2,160)**	**61,584**	**(17,195)**	**44,389**
Finance income		**15,234**	**12**	**7**	**15,253**	**288**	**15,541**
Senior financing interest		(108,793)	-	-	(108,793)	-	(108,793)
Other interest payable & similar charges	C	(20,849)	-	-	(20,849)	-	(20,849)
Finance cost total		**(129,642)**	**-**	**-**	**(129,642)**	**-**	**(129,642)**
Loss on ordinary activities before taxation		**(48,833)**	**(1,819)**	**(2,153)**	**(52,805)**	**(16,907)**	**(69,712)**
Tax on loss on ordinary activities		-	-	-	-	(3,142)	(3,142)
Loss for the financial year		**(48,833)**	**(1,819)**	**(2,153)**	**(52,805)**	**(20,049)**	**(72,854)**
Total assets	D	2,002,157	49,062	9,523	**2,060,742**	(35,589)	**2,025,153**
Total liabilities	D	2,382,518	39,685	23,552	**2,445,755**	(389,279)	**2,056,476**

6. Segment information (continued)

Year ended 31 August 2021	Note	SPVs	URSL	UPL	Total segments	Adjustments and eliminations	Consolidated
		£'000	£'000	£'000	£'000	£'000	£'000
Rental and other income - external		226,579	2,965	180	229,724	-	229,724
Rental and other income - internal	A	-	33,120	-	33,120	(33,120)	-
Cost of sales	B	(104,591)	(29,223)	(41)	(133,855)	33,018	(100,837)
Gross profit		**121,988**	**6,862**	**139**	**128,989**	**(102)**	**128,887**
Operating expenses	B	(44,426)	(7,244)	(2,158)	(53,828)	(21,776)	(75,604)
		(3,999)			(3,999)		(3,999)
Operating profit		**73,563**	**(382)**	**(2,019)**	**71,162**	**(21,878)**	**49,284**
Finance income		**9,506**	**-**	**-**	**9,506**	**501**	**10,007**
Senior financing interest		(71,727)	-	-	(71,727)	-	(71,727)
Other interest payable & similar charges	C	(21,249)	-	-	(21,249)	-	(21,249)
Finance cost total		**(92,976)**	**-**	**-**	**(92,976)**	**-**	**(92,976)**
Loss on ordinary activities before taxation		**(9,907)**	**(382)**	**(2,019)**	**(12,308)**	**(21,377)**	**(33,685)**
Tax on loss on ordinary activities		-	-	-	-	-	-
Loss for the financial year		**(9,907)**	**(382)**	**(2,019)**	**(12,308)**	**(21,377)**	**(33,685)**
Total assets	D	1,979,367	63,351	5,511	**2,048,229**	32,434	**2,080,663**
Total liabilities	D	2,396,024	47,157	17,379	**2,460,560**	(396,380)	**2,064,180**

6. Segment information (continued)

Notes to the segment information:

A. Rental and other income

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

B. Cost of sales and operating expenses

Adjustments and eliminations represent intercompany transactions that are eliminated on the consolidation level. Those transactions are mainly transactions held between URSL and each SPV. The adjustments and eliminations line also represents administrative costs that are not allocated to any of the segments.

C. Other interest payable & similar charges

Adjustments and eliminations mainly represent financing costs payable to Shareholders that are not allocated to any of the segments.

D. Total assets and total liabilities

Adjustments and eliminations related to total assets mainly represent assets related to the Group management companies (such as UPP Group Limited) and represent goodwill and cash allocated to those companies. Adjustments and eliminations related to total liabilities represent mainly UPP Bond I Issuer PLC liabilities and accruals and trade creditors related to Group management activities.

7. Turnover

Turnover represents the amounts derived from the provision of services, which fall within the Group's ordinary activities, stated net of value added tax.

The Group operates in four main areas of activity - that of the provision of student accommodation, construction services, the provision of facilities management services and management and development services.

Group turnover arises wholly in the UK and is split as below:

	Year ended 31 August 2022 £'000	Year ended 31 August 2021 £'000
Student accommodation rental income	204,107	193,115
Construction services	-	33,464
Management and development services	-	180
Facilities management services	5,480	2,965
	209,587	**229,724**

7. Turnover (continued)

In the following table, revenue from contracts with customers is disaggregated by service lines. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments.

	Note	SPVs	URSL	UPL	Total segments	Adjustments and eliminations	Consolidated
Year ended 31 August 2022							
Student accommodation rental income		204,107	-	-	204,107	-	204,107
Construction services		-	-	-	-	-	-
Management and development services		-	-	-	-	-	-
Facilities management services		-	5,480	-	5,480	-	5,480
Facilities management services – intragroup		-	32,261	-	32,261	(32,261)	-
Total		**204,107**	**37,741**	**-**	**241,848**	**(32,261)**	**209,587**
Revenue as reported in Segments	6	204,107	37,741	-	241,848	(32,261)	209,587

	Note	SPVs	URSL	UPL	Total segments	Adjustments and eliminations	Consolidated
Year ended 31 August 2021							
Student accommodation rental income		193,115	-	-	193,115	-	193,115
Construction services		33,464	-	-	33,464	-	33,464
Management and development services		-	-	180	180	-	180
Facilities management services		-	2,965	-	2,965	-	2,965
Facilities management services – intragroup		-	33,120	-	33,120	(33,120)	-
Total		**226,579**	**36,085**	**180**	**262,844**	**(33,120)**	**229,724**
Revenue as reported in Segments	6	226,579	36,085	180	262,844	(33,120)	229,724

7. Turnover (continued)

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

	31 August 2022 £'000	31 August 2021 £'000
Receivables, which are included in 'Trade and other receivables'	3,385	4,378
Contract assets, which are included in 'Service Concession Arrangements'	147,998	143,074
Contract liabilities which are included in 'Accruals and deferred income'	(2,853)	(1,360)

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer.

The contract liabilities primarily relate to the advance consideration received from customers. This will be recognised as revenue when the service is provided and is expected to be recognised as revenue in next financial year. The whole amount of contract liability balance at the beginning of the period was recognised as revenue during the year.

The Group issues invoices for rental services to universities on regular basis as per agreement with university (which varies from quarterly to three times per year). The invoices for rental services are raised upfront for the period agreed with the universities. The payments are typically done within 1 month from the issuance of the invoice.

The Group issues invoices for facilities management services on a monthly basis after the services were performed. The payments are typically done within 1 month from the issuance of the invoice.

During the construction phase, the service concession grantor gives the Group non-cash consideration in the form of an intangible asset being a licence to charge users of the public service, in exchange for construction services. Therefore, there are no revenue cash flows or invoicing activities in relation to construction services revenue. There were no schemes in the construction phase in the current year, hence no construction income was recorded.

8. Operating expenses

The operating profit is stated after charging:

Operating expenses

		Year ended 31 August 2022 £'000	Year ended 31 August 2021 £'000
Amortisation of service concession arrangements	15	40,438	38,616
Salaries and other employee costs recognised in operating expenses		16,587	21,196
COVID-19 related costs		-	2,333
External consultancy		6,702	3,199
Insurance		1,821	1,566
Office costs		217	281
Auditor remuneration (audit and non-audit fees)	10	960	807
Amortisation of computer software	16	827	400
Depreciation		1,102	1,703
Other administrative costs		438	5,503
		69,092	75,604

9. Directors' remuneration

Directors and certain senior employees who have authority and responsibility for planning, directing and controlling the activities of the Group are considered to be key management personnel. Total remuneration in respect of these individuals is as follows:

	Year ended 31 August 2022 £'000	Year ended 31 August 2021 £'000
Salary and other rewards	983	829
Social security costs	142	120
Company contributions to defined contribution schemes	47	35
	1,172	**984**

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

	Year ended 31 August 2022 £'000	Year ended 31 August 2021 £'000
Emoluments	770	526
Company contributions to defined contribution schemes	30	28
	800	**554**

10. Auditor's remuneration

	Year ended 31 August 2022 £'000	Year ended 31 August 2021 £'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	57	47
Fees payable to the Company's auditor and its associates for other services:		
The audit of the company's subsidiaries pursuant to legislation	903	760
	960	**807**

11. Employee information

	2022	2021
The average number of persons employed by the Group during the year was as follows:		
Management and operations	155	196
Site managers (full-time)	71	67
Administration, maintenance and cleaning (full and part-time)	695	658
	921	**921**

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

	Year ended 31 August 2022 £'000	Year ended 31 August 2021 £'000
Wages and salaries	30,760	34,986
Social security costs	2,591	3,169
Pension costs - defined contribution	1,214	1,232
Pension costs - defined benefit	34	35
	34,599	**39,422**

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

Long-term Incentivisation Scheme

No payments were made under the long-term incentivisation scheme during the year but an accrual of £489k was made for anticipated payments in 2022/23 (2021: £1,804k).

12. Interest and similar income

	Year ended 31 August 2022 £'000	Year ended 31 August 2021 £'000
Interest received on cash balances	546	850
Interest income on finance receivable	14,995	9,157
	15,541	**10,007**

13. Interest and similar expense

	Year ended 31 August 2022 £'000	Year ended 31 August 2021 £'000
Financial liabilities measured at amortised cost		
Interest payable on fixed-rate senior secured notes*	42,138	41,744
Interest payable on index-linked facilities*	66,655	29,791
Subordinated loan note interest	2,515	13,038
Interest expense on income strip debt	4,578	4,708
Financial liabilities measured at fair value		
Fair value loss on swaps	13,722	3,660
Other charges		
Interest on net defined pension liability	34	35
	129,642	**92,976**

Included within the interest payable on index-linked facilities and senior secured notes is £55,008k (2021: £23,128k) that relates to the inflation uplift on the index-linked facilities.
*For clarity purposes the presentation of interest on fixed-rate and indexed-linked facilities has been changed including comparative information.

14. Tax on loss on ordinary activities

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

	Year ended 31 August 2022 £'000	Year ended 31 August 2021 £'000
Current tax:		
Current tax on income for the year	3,142	-
Total current tax charge	3,142	-
Deferred tax:		
Current year	-	-
Total deferred tax	-	-
Tax charge on loss on ordinary activities	3,142	-

b) Tax included in the Group statement of total other comprehensive income

	Year ended 31 August 2022 £'000	Year ended 31 August 2021 £'000
Deferred tax:		
Current year	-	-
Total deferred tax	-	-
Total tax credit	-	-

c) Factors affecting current tax charge for the year

The tax assessed for the year is higher (2021: higher) than the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%). The differences are explained below:

	Year ended 31 August 2022 £'000	Year ended 31 August 2021 £'000
Loss on ordinary activities before tax	**(69,712)**	**(33,685)**
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19.00% (2021: 19%)	(13,245)	(6,400)
Effects of:		
Adjustment to tax charge in respect of prior year	-	-
Expenses not deductible for tax purposes	20,509	17,766
Non-taxable income	(12,039)	(12,496)
Brought forward losses utilised in the year	(198)	(357)
Current year losses carried forward	1,280	2,182
Exempt property rental (profits)/losses in the year	6,835	(695)
Current tax charge for the year	**3,142**	**-**

For the financial year ended 31 August 2022, the Group breached one of the REIT tests (interest cover test) due to index linked uplifts on a number of its debt facilities, resulting in a tax charge of £3,142k for the year.

0. Tax on loss and ordinary activities (continued)

d) Factors that may affect future tax charges

UPP REIT Holdings Limited is a Real Estate Investment Trust. As a result, the Group does not pay UK corporation tax on profits and gains from qualifying property rental business providing it meets certain conditions. Non-qualifying profits and gains continue to be subject to UK corporation tax as normal.

A deferred tax asset of £106,219k (2021: £99,053k) in respect of available tax losses has not been recognised at 31 August 2022. This is due to there being no persuasive and reliable evidence available at this time of suitable profits to offset these losses.

On 3 March 2021, it was announced that the UK corporation tax rate would increase to 25% from 1 April 2023, which was enacted in May 2021. The effect of this change in the rate of UK corporation tax would increase the deferred tax asset not recognised by £1,303k.

15. Intangible assets – Service Concession Arrangements

2022	Service concession arrangements £'000	Assets in the course of construction £'000	Total £'000
Cost			
At 1 September 2021	1,790,544	-	1,790,544
Additions	-	-	-
Transfer	-	-	-
At 31 August 2022	**1,790,544**	**-**	**1,790,544**
Amortisation			
At 1 September 2021	170,721	-	170,721
Charge during the year	40,438	-	40,438
At 31 August 2022	**211,159**	**-**	**211,159**
Net book value			
At 31 August 2022	**1,579,385**	**-**	**1,579,385**
At 31 August 2021	1,619,823	-	1,619,823

2021	Service concession arrangements £'000	Assets in the course of construction £'000	Total £'000
Cost			
At 1 September 2020	1,616,051	140,559	1,756,610
Additions	-	33,934	33,934
Transfer	174,493	(174,493)	-
At 31 August 2021	**1,790,544**	**-**	**1,790,544**
Amortisation			
At 1 September 2020	132,105	-	132,105
Charge during the year	38,616	-	38,616
At 31 August 2021	**170,721**	**-**	**170,721**
Net book value			
At 31 August 2021	**1,619,823**	**-**	**1,619,823**
At 31 August 2020	1,483,946	140,559	1,624,505

15. Intangible assets – Service Concession Arrangements (continued)

Included in intangible assets are properties being managed under service concession arrangements. Additions in assets under construction comprise of all the costs incurred for asset construction during the financial year. There were no additions during the financial year.

Service concession arrangement assets include net finance costs up to the date of completion of £45,160k (2021: £45,160k). An amount of £nil (2021: £947k) was capitalised during the year.

In prior year the assets were tested for impairment. The impairment assessment was performed in relation to the SPVs as at the reporting date using contractual cash flows and discount rates specific to the SPVs. These calculations have been based on a full year forecast at the point of first full operation, extrapolated over the remaining service concession arrangement period using variable growth rates. The growth rate reflects a benchmarked projected RPI index. The growth is based on the financial models for the service concession arrangement prepared by the Group based on the agreements made with universities. Management assessed that possible changes in estimates will not result in impairment in the next 12 months. Severe but plausible downside analysis has been run, including over occupancy levels.

16. Intangible assets – other

	Computer software £'000	Goodwill £'000	Total £'000
Cost			
At 1 September 2021	3,293	143,479	146,772
Additions	31	-	31
At 31 August 2022	**3,324**	**143,479**	**146,803**
Amortisation and impairment			
At 1 September 2021	1,618	28,697	30,315
Amortisation	827	-	827
At 31 August 2022	**2,445**	**28,697**	**31,142**
Net book value			
At 31 August 2022	**879**	**114,782**	**115,661**
At 31 August 2021	1,675	114,782	116,457

	Computer software £'000	Goodwill £'000	Total £'000
Cost			
At 1 September 2020	3,256	143,479	146,735
Additions	37	-	37
At 31 August 2021	**3,293**	**143,479**	**146,772**
Amortisation and impairment			
At 1 September 2020	1,218	28,697	29,915
Amortisation	400	-	400
At 31 August 2021	**1,618**	**28,697**	**30,315**
Net book value			
At 31 August 2021	**1,675**	**114,782**	**116,457**
At 31 August 2020	2,038	114,782	116,820

16. Intangible assets – other (continued)

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

The carrying amount of goodwill is allocated to SPV operating segment (see note 6) where the goodwill arose from. The goodwill was tested for impairment at that level as at 31 August 2022. The impairment assessment was performed in relation to the SPVs treated as a single cost generating unit as at the reporting date using contractual cash flows and discount rates specific to the SPVs. These calculations have been based on a full year forecast at the point of first full operation, extrapolated over the remaining service concession arrangement period using a variable growth rate. The growth rate reflects the projected RPI index. The growth is based on the financial models for the service concession arrangement prepared by the Group based on the agreements made with universities. Management assessed that possible changes in RPI or occupancy estimates will not result in impairment in the next 12 months.

The main assumptions for the financial models are:

- RPI projections that affect net revenue projections at variable rates using benchmarked forecasts.
- Occupancy rate that affects net revenue projected. Current occupancy rate assumed is 98%-100%.

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

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

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

17. Property, plant and equipment

	Right-of-use Properties £'000	Fixtures and fittings £'000	Total £'000
Cost or valuation			
At 1 September 2021	5,440	9,685	15,125
Additions	-	1,138	1,138
At 31 August 2022	**5,440**	**10,823**	**16,263**
Depreciation			
At 1 September 2021	1,354	6,315	7,669
Charge during the year	608	494	1,102
At 31 August 2022	**1,962**	**6,809**	**8,771**
Net book value	-	-	-
At 31 August 2022	**3,478**	**4,014**	**7,492**
At 31 August 2021	4,086	3,370	7,456

17. Property, plant and equipment (continued)

	Right-of-use Properties £'000	Fixtures and fittings £'000	Total £'000
Cost or valuation			
At 1 September 2020	849	7,086	7,935
Additions	4,591	2,599	7,190
At 31 August 2021	**5,440**	**9,685**	**15,125**
Depreciation			
At 1 September 2020	603	5,363	5,966
Charge during the year	751	952	1,703
At 31 August 2021	**1,354**	**6,315**	**7,669**
Net book value			
At 31 August 2021	**4,086**	**3,370**	**7,456**
At 31 August 2020	246	1,723	1,969

18. Leases

Property, Plant and Equipment comprises owned and leased assets that do not meet the definition of investment property. The Group lease land and buildings for its office space.

Right-of use assets

2022	Property	Total
Balance at 1 September	4,086	4,086
Depreciation charge	(608)	(608)
Balance at 31 August	**3,478**	**3,478**

2021	Property	Total
Balance at 1 September	246	246
Additions to right-of-use assets	4,591	4,591
Depreciation charge	(751)	(751)
Balance at 31 August	**4,086**	**4,086**

Lease liabilities maturity analysis – contractual undiscounted cash flows

	31 August 2022 £'000	31 August 2021 £'000
Less than one year	588	278
One to two years	556	556
Two to five years	1,715	1,715
More than five years	1,390	1,947
Total undiscounted lease liabilities at 31 August	**4,249**	**4,496**

The lease for one office space runs for a period of 10 years, commenced in November 2021 and expires in December 2031. The other office lease runs for a period of 5 years, commenced in December 2018 and expires in December 2023.

18. Leases (continued)

Lease liabilities included in the statement of financial position

	31 August 2022 £'000	31 August 2021 £'000
Current	588	278
Non-current	2,890	3,808
	3,478	**4,086**

Amounts recognised in profit or loss

	Year ended 31 August 2022 £'000	Year ended 31 August 2021 £'000
Interest on lease liabilities	(509)	(15)
Depreciation charge	(608)	(751)

Amounts recognised in statements of cash flows

	Year ended 31 August 2022 £'000	Year ended 31 August 2021 £'000
Total cash outflow for leases	(310)	(314)

19. Current trade and other receivables

	31 August 2022 £'000	31 August 2021 £'000
Trade debtors	3,385	4,378
VAT recoverable	75	539
Prepayments and accrued income	3,339	7,990
	6,799	**12,907**

20. Current trade and other payables

	31 August 2022 £'000	31 August 2021 £'000
Trade creditors	7,523	13,264
Other taxes and social security	4,169	890
Accruals and deferred income	42,492	46,334
	54,184	**60,488**

21. Financial assets

	Note	31 August 2022 £'000	31 August 2021 £'000
Financial assets at amortised cost			
Financial receivables - service concession arrangements		147,998	143,074
Financial assets		-	1,704
Trade and other receivables	19	3,385	4,378
Cash at bank and in hand	34	167,818	179,242
		319,201	**328,398**
Total current		171,203	185,926
Total non-current		147,998	142,472

The service concession arrangement asset includes net finance costs of £1,119k (2021: £1,119k).

The terms of the finance agreement provide that the lender will seek repayment of the finance only to the extent that sufficient funds are generated by specific assets financed and will not seek recourse to the Company in any other form.

22. Financial liabilities

	31 August 2022 £'000	31 August 2021 £'000
Financial liabilities at amortised cost		
Senior secured loan notes	495,469	486,551
Senior debt	477,007	485,571
Senior index linked debt	724,947	714,480
Non-recourse bank debt finance	81,834	79,569
Secured subordinated loan notes	43,003	43,002
Lease liabilities	4,265	4,606
Trade and other payables	7,523	13,264
Derivatives designated as hedging instruments		
Interest rate swaps	43,417	137,879
RPI swaps	95,589	38,793
Derivatives not designated as hedging instruments		
RPI swaps	21,246	7,524
	1,994,300	**2,011,239**
Total current	56,975	64,356
Total non-current	1,937,325	1,946,883

22. Financial liabilities (continued)

22.1 Interest-bearing loans and borrowings

Senior debt

The senior debt facilities above are secured under a number of debenture deeds. Under the terms of the debentures, the finance providers have security by way of a first legal mortgage over all estates or interests in any freehold or leasehold properties and buildings, finance receivable assets and fixtures on those properties.

Senior secured notes

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

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

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

On 9 December 2014, UPP Bond 1 Issuer PLC issued £149,700k of fully-amortising index-linked senior secured notes, also listed on the Irish Stock Exchange. Proceeds of this issuance were on-lent on the same terms and conditions to a fellow Group undertaking to enable that company to repay its short-term senior bank facility and associated costs.

The senior secured notes issued are secured against the assets of UPP Bond 1 Issuer PLC and the other wholly-owned subsidiaries of UPP Bond 1 Limited.

Senior index-linked debt

On 14 October 2013, a Group subsidiary entered into an RPI index-linked senior facility. The facility is fully-amortising by August 2056 with a real interest rate of 2.322% increasing semi-annually with RPI. The notional amount of this facility was £40,497k and repayments commenced in February 2016.

On 4 July 2014, a Group subsidiary entered into an RPI index-linked senior facility. The facility is fully-amortising by August 2057 with a real interest rate of 1.792% increasing semi-annually with RPI. The notional amount of this facility was £113,816k and repayments commenced in February 2017.

On 7 April 2016, a Group subsidiary issued £67.3 million 1.030% RPI index-linked loan notes. The proceeds of this issuance were used to repay the existing senior bank debt funding. The loan notes are fully-amortising by August 2049 with a real interest rate of 1.0302% increasing semi-annually with RPI. The notional amount of this facility is £67,322k and repayments commenced on 28 August 2016

On 21 December 2016, a Group subsidiary entered into an RPI index-linked senior facility. The facility is fully-amortising by August 2062 with a real interest rate of 0.16% increasing semi-annually with RPI. The notional amount of this facility was £86,809k and repayments commenced in February 2020.

On 25 May 2017, a Group subsidiary entered into an RPI index-linked senior facility. The facility is fully-amortising by August 2058 with a real interest rate of 0.45% increasing semi-annually with RPI. The notional amount of this facility was £127,636k and repayments commenced in February 2020.

22. Financial liabilities (continued)

On 5 February 2018, a Group subsidiary issued £63,000k of fully-amortising index-linked loan notes in two tranches. The facility is fully-amortising by August 2062 with a real interest rate of 0.207% - Tranche A and 1.203% - Tranche B, increasing semi-annually with RPI. The notional amount of this facility was £63,000k and repayments commenced in February 2018.

On 28 June 2018, a Group subsidiary issued £15,761k of fully-amortising index linked loan notes. The facility is fully-amortising by August 2065 with a real interest rate of 0.044% increasing semi-annually with RPI. The notional amount of this facility was £37,185k and repayments commenced in February 2021.

On 10 January 2019 a Group subsidiary issued £50,841k of fully amortising RPI index linked loan notes. The index linked senior loan notes are fully amortising by 2066 with a real interest rate of 0.2% increasing semi-annually by RPI. The notional amount of these notes at issuance was £50,841k and the principal amount repayable increases semi-annually by RPI. Repayments commenced in February 2022.

On 28 February 2019 a Group subsidiary issued £10,546,000 of fully amortising RPI index linked loan notes. The index linked senior loan notes are fully amortising by 2065 with a real interest rate of 0.080% increasing semi-annually by RPI. The notional amount of these notes at issuance was £10,546,000 and the principal amount repayable increases semi-annually by RPI. Repayments commenced in February 2021.

On 28 August 2019 a Group subsidiary issued £9,992,000 of fully amortising RPI index linked loan notes. The index linked senior loan notes are fully amortising by 2065 with a real interest rate of 0.100% increasing semi-annually by RPI. The notional amount of these notes at issuance was £9,992,000 and the principal amount repayable increases semi-annually by RPI. Repayments commenced in February 2021.

On 28 August 2019 a Group subsidiary issued £39,939k of fully amortising RPI index linked loan notes. The index linked senior loan notes are fully amortising by 2066 with a real interest rate of 0.2% increasing semi-annually by RPI. The notional amount of these notes at issuance was £39,939k and the principal amount repayable increases semi-annually by RPI. Repayments commenced in February 2022.

On 1 September 2019 a Group subsidiary issued £38,405,000 of fully amortising RPI index linked loan notes. The index linked senior loan note is fully amortised by 2066 with a real interest rate of 0.2% increasing semi-annually by RPI. The notional amount of these notes at issuance was £38,405,000 and the principal amount repayable increases semi-annually by RPI. Repayments commenced in February 2022.

On 28 April 2020 a Group subsidiary issued £24,521,000 of fully amortising RPI index linked loan notes. The index linked senior loan note is fully amortised by 2066 with a real interest rate of 0.2% increasing semi-annually by RPI. The notional amount of this note at issuance was £24,521,000 and the principal amount repayable increases semi-annually by RPI. Repayments commenced in February 2022.

On 29 December 2020 a Group subsidiary issued £9,777,000 of fully amortising RPI index linked loan notes. The index linked senior loan note is fully amortised by 2066 with a real interest rate of 0.2% increasing semi-annually by RPI. The notional amount of this note at issuance was £9,777,000 and the principal amount repayable increases semi-annually by RPI. Repayments commenced in February 2022.

These facilities above are secured under a number of debenture deeds. Under the terms of the debentures, the finance providers have security by way of a first legal mortgage over all estates or interests in any freehold or leasehold properties and buildings, finance receivable assets and fixtures on those properties.

22. Financial liabilities (continued)

Non-recourse finance facilities

The finance providers only have recourse over the assets of the company or companies on which they are providing finance, with no recourse to other Group companies (see note 15).

The key terms of the facilities are:

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

On 5 July 2022 the Group repaid its fixed-term loan facility with Lloyds Banking Group Plc, in line with the terms of the facility.

Secured subordinated loan notes

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

The loan notes are subject to the same security as the senior debt facilities but are subordinated to the right of payment of senior debt providers. The weighted average rate is 11.12% per annum for a weighted average period of 39 years. The final repayment dates on the subordinated loan notes range between August 2048 and August 2069.

23. Hedging activities and derivatives

Derivatives not designated as hedging instruments

The Group uses inflation swaps to manage some of the inflation-related risk in relation to revenue. These contracts are not designated as cash flow hedges and are entered into for the period consistent with the length of the service concession arrangement contract.

Cash flow hedges

The Group uses RPI swaps and IR swaps to manage some of the inflation risk in relation to the Group's revenue and to manage interest rate risk in relation to the debt costs. The derivative contracts lengths are aligned with the length of the service concession arrangement contract in relation to the RPI swaps and with the length of the debt contracts in relation to IR swaps.

Due to the nature, timing and hedging relationship the Group qualified all the IR swaps hedges to the same risk category. Due to the nature, timing and hedging relationship the Group qualified all the RPI swap hedges to the same risk category.

To assess hedge effectiveness, the Group determines the economic relationship between the hedging instrument and the hedged item by performing qualitative assessment of hedge effectiveness due to a match of critical terms and quantitative assessment of hedge effectiveness on the basis of the mark to market value and mark to market hypothetical value.

In these hedge relationships, the main sources of ineffectiveness are changes in the cash flow timing of the hedged transactions.

23. Hedging activities and derivatives (continued)

	31 August 2022 £'000		31 August 2021 £'000	
	Assets	Liabilities	Assets	Liabilities
IR swaps designated as hedging instruments	-	(43,417)	-	(137,879)
RPI swaps designated as hedging instruments	-	(95,589)	-	(38,793)
RPI swaps not designated as hedging instruments	-	(21,246)	-	(7,524)
	-	**(160,252)**	**-**	**(184,196)**

The Group chooses to adopt hedge accounting for all its derivative financial instruments which meet the qualifying criteria for hedge accounting and reflect all movements in the fair value of these derivative financial instruments through the cash flow hedge reserve as follows:

	31 August 2022 £'000	31 August 2021 £'000
Fair value of derivatives used for hedging		
Current liabilities: amounts falling due after one year	(139,006)	(176,672)
Current assets: amounts falling due after one year	-	-
Movement in fair value of derivatives used for hedging		
Recognised profit/(loss) through OCI:		
Owners of the parent	36,993	(572)
Non-controlling interest	674	(170)
Fair value of derivatives not used for hedging		
Creditors: amounts falling due after more than one year	(21,246)	(7,524)
Debtors: amounts falling due after more than one year	-	-
Movement in fair value of derivatives not used for hedging		
Recognised profit/ (loss) through the Income Statement	(13,722)	(3,821)

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

	31 August 2022 £'000	31 August 2021 £'000
Interest rate risk		
Cash flow hedge reserve	94,462	25,831
RPI risk		
Cash flow hedge reserve	(56,796)	(26,573)

Interest Rate Benchmark Reform (IBOR reform)

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

The Group engaged with all relevant counterparties and agreed amendments to contacts to reflect the industry standard transition to a SONIA based replacement for LIBOR. Details of the hedging instruments and hedged items in scope of the IFRS 9 amendments due to interest rate benchmark reform, by hedge type are listed in note 36.1. The terms of the hedged items listed match those of the corresponding hedging instruments.

The Group will continue to apply the amendments to IFRS 9 relating to transition as described in note 2.13.

23. Hedging activities and derivatives (continued)

Liquidity maturity analysis for derivatives

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

		Contractual cash flows			
	Carrying amount	Less than 1 year	1-2 years	2-5 years	More than 5 years
31 August 2022	**160,252**	7,984	6,484	33,087	195,449
31 August 2021	**184,196**	13,351	12,497	35,973	149,385

Further information on financial risk management related to hedging activities and derivatives is in note 36.

24. Fair value measurement

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

	31 August 2022 £'000		31 August 2021 £'000	
	Book value	Significant observable inputs Level 2	Book value	Significant observable inputs Level 2
Financial assets				
Financial assets at amortised cost				
Financial receivable - service concession arrangements	147,998	135,097	143,074	133,921
Financial assets – other	-	-	1,704	1,704
Trade and other receivables	3,385	*	4,378	*
Cash at bank and in hand	167,818	*	179,242	*
	319,201		**328,398**	
Financial liabilities				
Borrowings				
Senior secured notes	495,469	462,091	486,551	472,456
Senior debt	477,007	476,082	485,571	482,148
Senior index linked debt	724,947	633,881	714,480	649,312
Non-recourse bank debt finance	81,834	80,751	79,569	81,792
Secured subordinated loan notes	43,003	22,692	43,002	22,507
Lease liabilities	4,265	4,265	4,606	4,606
Derivatives designated as hedging instruments				
Interest rate swaps	43,417	43,417	137,879	137,879
RPI swaps	95,589	95,589	38,793	38,793
Derivatives not designated as hedging instruments				
RPI swaps	21,246	21,246	7,524	7,524
Financial liabilities at amortised cost				
Trade and other payables	7,523	*	13,264	*
	1,994,300		**2,011,239**	

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

24.1 Valuation techniques and significant unobservable inputs

Type	Valuation technique
Derivative instruments	The fair values of the derivative IR swap contracts and inflation swap contracts are estimated by discounting expected future cash flows using market interest rates, market inflation rates and option volatility.
Trade and other receivables Cash at bank and in hand Trade and other payables	The fair values of the Group's cash and cash equivalents and trade payables and receivables are not materially different from those at which they are carried in the financial statements due to the short-term nature of these instruments.
Borrowings Financial receivable - service concession arrangements	The valuation model considers the present value of expected payment, discounted using a risk-adjusted discount rate.

25. Provisions for liabilities

	Dilapidations £'000	Asset remediation £'000	Total £'000
At 1 September 2021	30	3,999	4,029
Provisions made during the year	30	14,800	14,830
Provisions used during the year		(3,759)	(3,759)
At 31 August 2022	**60**	**15,040**	**15,100**

	Dilapidations £'000	Asset remediation £'000	Total £'000
At 1 September 2020	215	-	215
(Credited) / charged to profit & loss account	(185)	3,999	3,814
At 31 August 2021	**30**	**3,999**	**4,029**

During the year, following detailed inspections, the Group identified various remediation works that needed to be addressed at buildings of the University of Kent and Nottingham Trent University. Accordingly, at the year end, provisions of £7,500k and £2,300k respectively have been recognised. Additionally, the Group identified certain maintenance related remediation works required at a number of sites managed by a group entity resulting in a provision of £5,000k being recognised. Provisions have been recognised as the directors believe the Group has a present obligation, it is probable that transfer of economic benefit will be required and the obligation can be reliably estimated.

Contingent liability

During the year it was identified that further remedial works may be required at buildings at the University of Kent by the Group. Investigations are at an early stage, with the scope and responsibility for these works still to be established. As the value of these works cannot currently be reliably estimated and it is possible, but not probable that economic outflow may occur, it is appropriate to disclose these works as a contingent liability.

26. Called-up share capital

	31 August 2022 £'000	31 August 2021 £'000
Allotted, called up and fully paid		
1,032,000 ordinary shares of £1 each	1,032	1,032

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

27. Reserves

Capital reserve

The £1,043k of capital contributions relate to capital contributions by The Alma Mater Fund LP, a previous shareholder. These have been received in cash and are non-refundable. £16,037k relates to capital contributions made by the previous shareholders of the Group to fund the liabilities previously accrued under the long term incentivisation scheme and are the contingent consideration that arose on the purchase of shares in UPP Projects Limited in 2008. All of these contributions have been received in cash and are non-refundable. £6,348k of the capital contributions relate to subordinated debt acquired by the Group in September 2012 from Barclays European Infrastructure Fund II LP, again a previous shareholder.

Cash flow hedge reserve

The cash flow hedge reserve records the fair-value movements on the Group's derivative financial instruments where hedge accounting is applied and the deferred tax associated with these.

Profit and loss account

The reserve consists of current and prior year profit and loss.

28. Retirement benefit schemes

Defined contribution scheme

The Group operates a defined contribution retirement benefit scheme for all employees, complying with automatic enrolment legislation from October 2013. The total cost charged to the profit and loss account of £115k (2021: £1,232k) represents a pre-determined amount of the employees' salary paid into the scheme. As at 31 August 2022, £nil (2021: £nil) contributions remained outstanding.

Defined benefit scheme

Retirement benefits for 29 Group employees (2021: 29) are provided by a defined benefit scheme which is funded by contributions by the employee and the Group. Payments are made to Nottinghamshire County Council Pension Fund ("NCCPF"). This is an independently administered scheme and contracted out of the State Earnings Related Pension Scheme.

Contributions are set every three years as a result of the actuarial valuation. The next contribution is being carried out at 31 March 2025 setting out contributions for the period from 1 April 2026 to 31 March 2029. There are no minimum funding requirements, but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions.

The material assumptions used by the Actuary were as follows:

	31 August 2022 £'000	31 August 2021 £'000
Rate of inflation	3.0%	2.9%
Rate of increase in salaries	4.1%	3.9%
Rate of increase in pensions	3.1%	2.9%
Discount rate for liabilities	4.25%	1.7%

Estimate of the Group's past service liability duration is 17 years. This has been calculated based on membership data for the most recent full valuation of the liabilities at 31 March 2022.

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

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

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

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

28. Retirement benefit scheme (continued)

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement at age of 65 are:

	31 August 2022 £'000	31 August 2021 £'000
Retiring today		
Males	21.7	21.6
Females	24.4	24.3
Retiring in 20 years		
Males	23.0	22.9
Females	25.8	25.7

Amounts recognised in the income statement are as follows:

	Year ended 31 August 2022 £'000	Year ended 31 August 2021 £'000
Service cost	81	75
Net interest on the defined liability	32	35
Administrative expenses	2	-
	115	110

Amount taken to other comprehensive income is as follows:

	Year ended 31 August 2022 £'000	Year ended 31 August 2021 £'000
Return of scheme assets in excess of interest	(59)	426
Other actuarial gains / (losses) on assets	-	(45)
Change in demographic assumptions	-	68
Experience gain / (loss) on defined benefit obligation	(10)	115
Change in financial assumptions	1,967	(378)
Re-measurement of the net assets / (defined liability)	**1,898**	**186**

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

	31 August 2022 £'000	31 August 2021 £'000
Present value of the defined benefit obligation	(3,871)	(5,774)
Fair value of scheme assets	3,678	3,775
Net defined benefit liability	**(193)**	**(1,999)**

28. Retirement benefit scheme (continued)

Defined benefit obligation reconciliation is as follows:

	2022	2021
	£'000	£'000
At 1 September	5,774	5,529
Current service cost	81	75
Interest cost	94	85
Change in financial assumptions	(1,967)	378
Estimated benefits paid net of transfers in	(130)	(119)
Change in demographic assumptions	-	(68)
Experience gain / (loss) on defined benefit obligation	10	(115)
Past service cost	-	-
Contributions by scheme participants	9	9
At 31 August	**3,871**	**5,774**

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

	2022	2021
	£'000	£'000
At 1 September	3,775	3,352
Interest on assets	62	52
Return on assets less interest	(85)	426
Other actuarial gains / (losses)	58	9
Contributions	-	57
Administration expenses	(2)	(2)
Benefits paid	(130)	(119)
At 31 August	**3,678**	**3,775**

The estimated amounts of contributions expected to be paid to the scheme during the financial year ending 31 August 2023 is £nil.

The estimated asset allocation of the scheme as at 31 August 2022 is as follows:

	31 August 2022		31 August 2021	
	%	£'000	%	£'000
Equities	59	2,156	65	2,451
Government bonds	2	87	3	123
Other bonds	7	254	6	238
Property	14	533	10	387
Cash	6	210	4	154
Other	12	438	12	422
Total fair value of scheme assets (bid value)	**100**	**3,678**	**100**	**3,775**
Present value of scheme liabilities		**(3,871)**		**(5,774)**
Net deficit		**(193)**		**(1,999)**

28. Retirement benefit scheme (continued)

Sensitivity analysis on the major assumptions is presented below:

	£'000	£'000	£'000
Adjustment to discount rate	+0.1pp	none	-0.1pp
Present value of total obligation	3,808	3,871	3,935
Projected service cost	42	43	44
Adjustment to long term salary increase	+0.1pp	none	-0.1pp
Present value of total obligation	3,876	3,871	3,866
Projected service cost	43	43	43
Adjustment to pension increases and deferred revaluation	+0.1pp	none	-0.1pp
Present value of total obligation	3,931	3,871	3,812
Projected service cost	44	43	42
Adjustment to life expectancy assumptions	+1 year	none	-1 year
Present value of total obligation	4,015	3,871	3,733
Projected service cost	44	43	41

29. Loss per share

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

	Year ended 31 August 2022	Year ended 31 August 2021
Loss attributable to ordinary shareholders		
Basic	(71,277)	(31,087)
Diluted	(71,277)	(31,087)
Weighted average number of shares (thousands)		
Basic	1,019	1,019
Diluted	1,019	1,019
Loss per share	(70.0)	(30.5)

	2022	2021
Issued ordinary shares at 1 September	1,018,667	1,018,667
Issued ordinary shares at 31 August	**1,018,667**	**1,018,667**

30. Share-based payments

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

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

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

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

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

The long-term incentive plan covers three financial years and ended on 31 August 2021.

Measurement of fair value

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

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

These forecasts have been discounted at the Group's estimated cost of equity. The spread of outcomes of the base, low and high scenarios has been weighted by probability, which management believe captures the potential variation in their business plan.

31. Related party transactions

As at 31 August 2022, the Directors consider that during the year, Nottingham Trent University, the University of Reading, the University of London and the University of Hull are the only related parties of the Group by virtue of their shareholdings in the Companies: UPP (Clifton) Holdings Limited, UPP (Byron House) Holdings Limited, UPP (Reading 1) Holdings Limited, UPP (Cartwright Gardens) Holdings Limited, UPP (Duncan House) Holdings Limited and UPP (Hull) Holdings Limited respectively.

During the year the Group incurred costs of £436k (2021: £436k) in respect of services provided by Nottingham Trent University in respect of UPP (Clifton) Holdings Limited and UPP (Byron House) Holdings Limited. An amount of £198k (2021: £2,152k) remains outstanding at the balance sheet date. An amount of £198k (2021: £8k) is included within creditors falling due within one year. An amount of £2,144k (2021: £2,144k) is included within creditors falling due after one year. During the year the Group received income of £11,808k (2021: £11,762k) in respect of services provided by these companies to the University. An amount of £nil (2021: £nil) remains outstanding at the Balance Sheet date.

During the year the Group incurred costs of £2,342k (2021: £2,644k) in respect of services provided by the University of Reading and received income of £31,266k (2021: £26,717k) in respect of services provided to the University. An amount of £183k (2021: £6k) remains outstanding at the balance sheet date and is included within debtors falling due within one year.

During the year the Group incurred costs of £992k (2021: £938k) in respect of services provided by the University of London and received income of £17,161k (2021: £16,899k) in respect of services provided to the University. An amount of £nil (2021: nil) remains outstanding at the balance sheet date and is included within creditors falling due after one year.

During the year the Group incurred costs of £326k (2021: £303k) in respect of services provided by the University of Hull and received income of £nil (2021: £nil) in respect of services provided to the University. An amount of £3,354k (2021: £3,165k) remains outstanding at the balance sheet date. This is included within creditors falling due after one year.

During the year ended 31 August 2022 the Group has paid a dividend of £14,500k to the shareholders PGGM and Okra Gee.

32. Investments

The Company owns 100% of the issued share capital in UPP Group Holdings Limited which itself owns 100% of the issued share capital of UPP Group Limited.

Details of the trading subsidiaries in which UPP Group Limited holds 20% or more of the nominal value of any class of share capital (or effective interest in), and which are included within the consolidated results of these financial statements, are as follows:

Entity	Proportion	Shares held class	Nature of Business
UPP (Alcuin) Limited	100%	Ordinary	Student Accommodation
UPP (Lancaster) Holdings Limited	100%	Ordinary	Student Accommodation
UPP (Broadgate Park) Holdings Limited	100%	Ordinary	Student Accommodation
UPP (Nottingham) Limited	100%	Ordinary	Student Accommodation
UPP (Plymouth Three) Limited	100%	Ordinary	Student Accommodation
UPP (Kent Student Accommodation) Limited	100%	Ordinary	Student Accommodation
UPP (Loughborough Student Accommodation) Holdings Limited	100%	Ordinary	Student Accommodation
UPP Leeds Student Residences Limited	100%	Ordinary	Student Accommodation
UPP Loring Hall Limited	100%	Ordinary	Student Accommodation
UPP (Oxford Brookes) Limited	100%	Ordinary	Student Accommodation
UPP (Reading I) Holdings Limited	80%	Ordinary	Student Accommodation
UPP (Kent Student Accommodation II) Holdings Limited	100%	Ordinary	Student Accommodation
UPP (Clifton) Holdings Limited	80%	Ordinary	Student Accommodation
UPP (Exeter) Limited	100%	Ordinary	Student Accommodation
UPP (Byron House) Holdings Limited	80%	Ordinary	Student Accommodation
UPP (Kent Turing) Holdings Limited	100%	Ordinary	Student Accommodation
UPP (Cartwright Gardens) Holdings Limited	85%	Ordinary	Student Accommodation
UPP (Duncan House) Holdings Limited	85%	Ordinary	Student Accommodation
UPP (Hull) Holdings Limited	90%	Ordinary	Student accommodation
UPP (Swansea) Holdings Limited	100%	Ordinary	Student accommodation
UPP (Exeter 2) Holdings 1 Limited	100%	Ordinary	Student accommodation
UPP (Exeter 2) Holdings 2 Limited	100%	Ordinary	Student accommodation
UPP (East Park) Holdings 1 Limited	100%	Ordinary	Student accommodation
UPP (East Park) Holdings 2 Limited	100%	Ordinary	Student accommodation
UPP (Swansea 2) Holdings 1 Limited	100%	Ordinary	Student accommodation
UPP (Swansea 2) Holdings 2 Limited	100%	Ordinary	Student accommodation
UPP Bond 1 Issuer plc	100%	Ordinary	Provision of senior secured bond funding

32. Investments (continued)

Entity	Proportion	Shares held class	Nature of business
UPP Projects Limited	100%	Ordinary	Partnerships development for the provision of student accommodation
UPP Residential Services Limited	100%	Ordinary	Provision of facility management services
UPP Group Holdings Limited	100%	Ordinary	Holding company
UPP Group Limited	100%	Ordinary	Holding company
UPP (MidCo) Limited	100%	Ordinary	Holding company
Residence Cloud Limited	100%	Ordinary	Provision of IT services

The proportion of voting rights held is in line with the proportion of shares held.

All subsidiaries listed above are registered at 12 Arthur Street, London, EC4R 9AB.

33. Non-controlling interests (NCI)

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

	UPP (Byron House) Holdings Limited	UPP (Cartwright Gardens) Holdings Limited	UPP (Clifton) Holdings Limited	UPP (Reading 1) Holdings Limited	UPP (Duncan House) Holdings Limited	UPP (Hull) Holdings Limited	Consolidation adjustments	Total
31 August 2022								
NCI percentage	**20%**	**15%**	**20%**	**20%**	**15%**	**10%**		
Non-current assets	64,770	193,300	42,600	388,941	101,790	143,139		
Current assets	6,421	7,632	3,664	16,226	5,145	8,257		
Non-current liabilities	(81,702)	(167,654)	(50,305)	(330,687)	(110,896)	(159,711)		
Current liabilities	(3,441)	(4,390)	(1,173)	(6,718)	(3,268)	(5,749)		
Net assets	**(13,952)**	**28,888**	**(5,214)**	**67,762**	**(7,229)**	**(14,064)**		
Net assets attributable to NCI	(2,790)	4,333	(1,043)	13,552	(1,084)	(1,406)	7,258	18,820
Revenue	6,422	11,309	5,190	31,648	5,586	10,580		
Profit /(Loss)	(7,126)	(8,471)	3,485	(4,958)	(5,260)	(3,944)		
OCI	-	-	4,137	-	-	-		
Total comprehensive income	**(7,126)**	**(8,471)**	**7,622**	**(4,958)**	**(5,260)**	**(3,944)**		
Profit allocated to NCI	(1,425)	(1,271)	697	(992)	(789)	(394)	2,597	(1,577)
Total OCI allocated to NCI	-	-	1,524	-	-	-	(850)	674
Cash flows from operating activities	4,639	8,241	3,510	14,763	4,931	5,332		
Cash flows from investment activities	3	(133)	-	-	26	47		
Cash flows from financing activities (dividends to NCI: nil)	(4,574)	(8,197)	(3,640)	(17,378)	(6,459)	(10,589)		
Net increase (decrease) in cash and cash equivalents	68	(89)	(130)	(2,615)	(1,502)	(5,210)		

33. Non-controlling interests (continued)

	UPP (Byron House) Holdings Limited	UPP (Cartwright Gardens) Holdings Limited	UPP (Clifton) Holdings Limited	UPP (Reading 1) Holdings Limited	UPP (Duncan House) Holdings Limited	UPP (Hull) Holdings Limited	Consolidation adjustments	Total
31 August 2021								
NCI percentage	**20%**	**15%**	**20%**	**20%**	**15%**	**10%**		
Non-current assets	62,800	172,400	42,200	350,208	103,981	146,251		
Current assets	6,329	7,606	3,788	16,733	6,492	13,240		
Non-current liabilities	(75,010)	(160,123)	(45,487)	(327,736)	(108,713)	(162,509)		
Current liabilities	(3,390)	(3,985)	(13,338)	(6,409)	(3,730)	(7,104)		
Net assets	**(9,271)**	**15,898**	**(12,837)**	**32,796**	**(1,970)**	**(10,122)**		
Net assets attributable to NCI	(1,854)	2,385	(2,567)	6,559	(295)	(1,012)	14,701	17,917
Revenue	6,636	10,959	5,086	31,016	5,666	9,431		
Profit/(Loss)	2,223	(1,767)	(313)	(10,234)	(1,081)	(5,061)		
OCI	5,167	17,406	5,081	12,110	-	-		
Total comprehensive income	**7,390**	**15,639**	**4,768**	**1,876**	**(1,081)**	**(5,061)**		
Profit allocated to NCI	445	(265)	(63)	(2,047)	(162)	(506)	-	(2,598)
Total OCI allocated to NCI	-	-	(170)	-	-	-	-	(170)
Cash flows from operating activities	4,879	8,451	4,596	17,679	4,375	9,862		
Cash flows from investment activities	-	5	3,672	-	(12)	(21)		
Cash flows from financing activities (dividends to NCI: nil)	(4,583)	(8,936)	(7,974)	(14,900)	(4,511)	(7,769)		
Net increase (decrease) in cash and cash equivalents	296	(480)	294	2,779	(148)	2,072		

34. Cash and cash equivalents

	31 August 2022 £'000	31 August 2021 £'000
Cash at bank and in hand	164,689	172,416
Short term deposits	3,129	6,826
Cash and cash equivalents	**167,818**	**179,242**

The cash and cash equivalents disclosed above and in the statement of cash flows include £164,192k as at 31 August 2022 (£171,804k as at 31 August 2021) of restricted cash. This cash is to be used only by SPVs in line with the service concession agreements and are therefore not available for general use by the other entities within the Group.

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

	Total £'000	Borrowings £'000	Share capital £'000	Share premium £'000	Retained earnings £'000
31 August 2021		**1,813,468**	**1,032**	**473,485**	**(289,260)**
Financing activities					
New debt drawn	-	-	-	-	-
Repayment of senior debt	(13,444)	(13,444)	-	-	-
Repayment of fixed rate debt	(5,874)	(5,874)	-	-	-
Repayment of index-linked debt	(22,359)	(22,359)	-	-	-
Interest paid	(53,619)	(53,619)	-	-	-
Dividends paid	(14,500)	-	-	-	(14,500)
Finance lease payments	(310)	(310)	-	-	-
Interest received on finance receivables	3,193	3,193			
Net cash flow from / (used in) financing activities	**(106,913)**	**(92,413)**	**-**	**-**	**(14,500)**
Interest expense		115,886	-	-	-
Interest income on finance receivable		(10,417)	-	-	-
Equity related other changes		-	-	-	(69,395)
31 August 2022		**1,826,524**	**1,032**	**473,485**	**(373,155)**

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

	Total	Borrowings	Share capital	Share premium	Retained earnings
	£'000	£'000	£'000	£'000	£'000
31 August 2020		**1,801,717**	**1,032**	**473,485**	**(254,359)**
Financing activities					
New debt drawn	9,777	9,777	-	-	-
Repayment of senior debt	(8,548)	(8,548)	-	-	-
Repayment of fixed rate debt	(4,630)	(4,630)	-	-	-
Repayment of index-linked debt	(18,475)	(18,475)	-	-	-
Interest paid	(50,828)	(50,828)	-	-	-
Dividends paid	(4,000)	-	-	-	(4,000)
Finance lease payments	(314)	-	-	-	(314)
Interest received on finance receivables	4,662	4,662	-	-	-
Net cash flow from / (used in) financing activities	**(72,356)**	**(68,042)**	**-**	**-**	**(4,314)**
Interest expense		88,949	-	-	-
Interest income on finance receivable		(9,156)	-	-	-
Equity related other changes		-	-	-	(30,587)
31 August 2021		**1,813,468**	**1,032**	**473,485**	**(289,260)**

36. 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.

36.1 Market risk

Interest rate risk

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

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

As at 31 August 2022 and 31 August 2021 the Group has entered into the following IR swaps with external parties:

- an IR swap with UPP (Loughborough) Limited, of £25,375k nominal amount, commencing in August 2009 and finishing in August 2039
- an IR swap with UPP (Loughborough) Limited, of £25,327k nominal amount, commencing in August 2010 and finishing in August 2039
- an IR swap with UPP (Lancaster) Limited, of £180,187k nominal amount, commencing in September 2010 and finishing in March 2042
- an IR swap with UPP (Clifton) Limited, of £13,564k nominal amount, commencing in May 2010 and finishing in August 2039
- an IR swap with UPP (Kent Student Accommodation II) Limited, of £21,333k nominal amount, commencing in October 2010 and finishing in August 2041
- an IR swap between UPP Leeds Student Residences Limited, of £25,623k nominal amount, commencing in August 2009 and finishing in August 2044

The Group adopts hedge accounting for all of the IR swaps noted above. The hedge ineffectiveness can arise from:

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

Inflation rate risk

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

To mitigate the impact of inflation movements on future rental income, UPP Bond 1 Issuer PLC, a subsidiary undertaking, has entered into RPI swaps with external counterparties all initially entered into on 5 March 2013, details of which are as follows:

Hedge arrangements with external parties as at 31 August 2022 and 31 August 2021 are as follows:

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

36. Financial risk management (continued)

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

These instruments are mirrored with matching derivative instruments on–lent to six subsidiary undertakings as follows:

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

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

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

RPI swaps are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged.

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

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

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

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

36. Financial risk management (continued)

1 September 2021 - 31 August 2022		Effect on fair value of financial instruments £'000	Effect on profit before taxation £'000	Effect on equity £'000
Financial Derivatives (RPI Swaps)	Increase of 25 bp	9,255	6,364	15,619
	Decrease of 25 bp	(9,003)	(6,211)	(15,214)
Financial Derivatives (IR Swaps)	Increase of 25 bp	(6,616)	(760)	
	Decrease of 25 bp	6,820	800	
Senior debt	Increase of 25 bp		908	
	Decrease of 25 bp		(919)	

The Group is monitoring the current inflationary environment very closely, especially the impact on its cost base. The contractual mechanisms relating to rental income increases and the controllable nature of most costs provide means of managing this risk.

Demand risk

The Group is subject to revenue risk arising from potential occupancy voids where no nomination is in place and counterparty credit risk where a nomination is in place from the university partner. While the Company operates with the benefit of various contractual rights that support high levels of occupancy, the supply of purpose built student accommodation is increasing providing increased competition focussed on price, quality and location.

Portfolio risk

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

36.2 Liquidity risk

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and debt servicing and by investing cash assets safely and profitably. The Group's facility agreements require adequately funded reserve accounts which provide further mitigation against liquidity risk.

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

	31 August 2022 £'000	31 August 2021 £'000
Repayable within one year or on demand	93,325	99,493
Repayable in more than one year but less than two years	95,959	92,708
Repayable in more than two years but less than five years	317,751	386,291
Repayable in more than five years	2,766,246	2,551,825
	3,273,281	**3,130,317**

36. Financial risk management (continued)

36.3 Credit risk

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

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

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

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

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

On the basis of the following information:

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

Management assess that there is no material credit risk. The calculated expected credit loss was not material and as a result no adjustments were made to the financial statements. The carrying amount of financial assets represents the maximum credit exposure.

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

	Gross carrying amount as at 31 August 2022 £'000	Credit impaired
Low risk	167,818	No
Fair risk	153,323	No
	321,141	

36. Financial risk management (continued)

	Gross carrying amount as at 31 August 2021 £'000	Credit impaired
Low risk	179,242	No
Fair risk	147,680	No
	326,922	

Low risk assets are assets receivable from institutions that are rated and their rating is equivalent to Standard & Poor credit rating in the range of BBB to AAA. Fair risk assets relate to receivables from public institutions with stable financial situation and no record of payment delay over 30 days. There is no collateral or other credit enhancements in relation to the financial assets.

37. Financial commitments

At 31 August 2022 the Group had an amount of £nil (2021: £101k) commitments contracted for but not provided for at that date related to ongoing construction of rooms of student residential accommodation and £4,249k (2021: £4,496k) commitments relating to office leases.

38. Parent undertaking and controlling party

The Group and the Company is 60% owned by PGGM Infrastructure Fund ("PGGM"), on behalf of their pension fund clients. This entity is incorporated in The Netherlands. PGGM is the ultimate controlling party of the Group.