UNITE
STUDENTS

# A foundation for growth

**Unite Group PLC**
Annual Report & Accounts 2019

UNITE STUDENTS



## Our purpose

### We are driven by a common purpose –

# Creating a Home for Success for our students.

For us, that's making the best home for all students, helping them grow and succeed at University and beyond.

We deliver this through having the best people, the best service and best properties, and working in line with our values.


## Our Students

Quality, affordable homes in a safe and secure environment.

Read more on page 06


## Our Partners

Helping Universities deliver their ambitions and an excellent student experience.

Read more on page 08

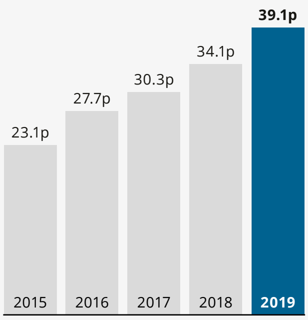

## Our People

Rewarding and stimulating career paths for diverse and engaged teams.

Read more on page 10

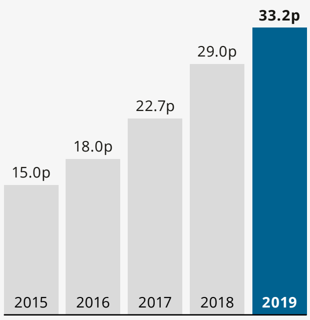
**www.unite-group.co.uk**

## Operational and financial highlights



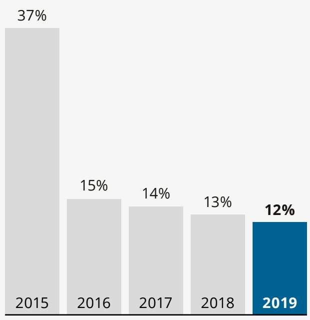

**EPRA Earnings per share**[1,2] (p)

39.1p



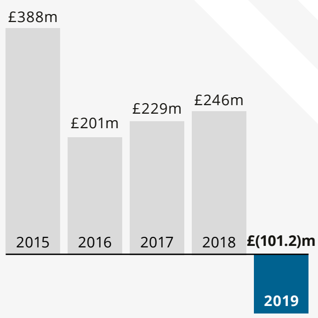

**Dividend per share** (p)

33.2p



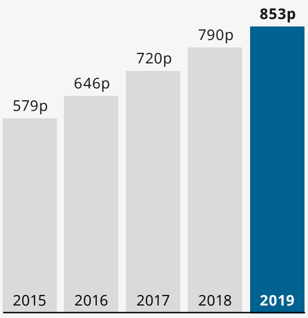

**Total accounting return*** (%)

12%



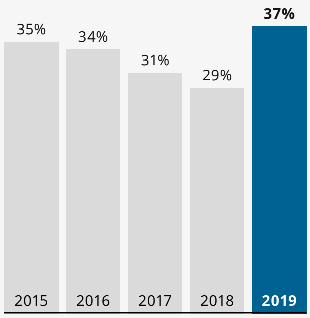

**(Loss)/Profit before tax** (£m)

£(101.2)m



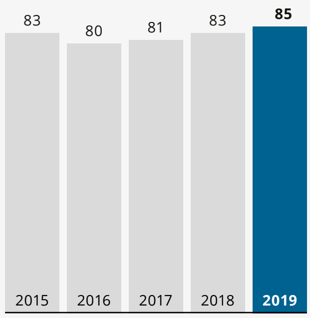

**Net asset value**[1] (p per share)

853p per share



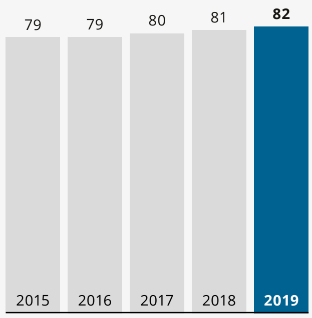

**Loan-to-value ratio*** (p)

37%




**Customer satisfaction**

85




**Higher Education Trust**

82

Successful acquisition of Liberty Living

See more in our **CEO's Review on** page 16

5★
BSC Occupational Health & Safety audit rating

2,390
beds opened

Home for Success for
74,000
students

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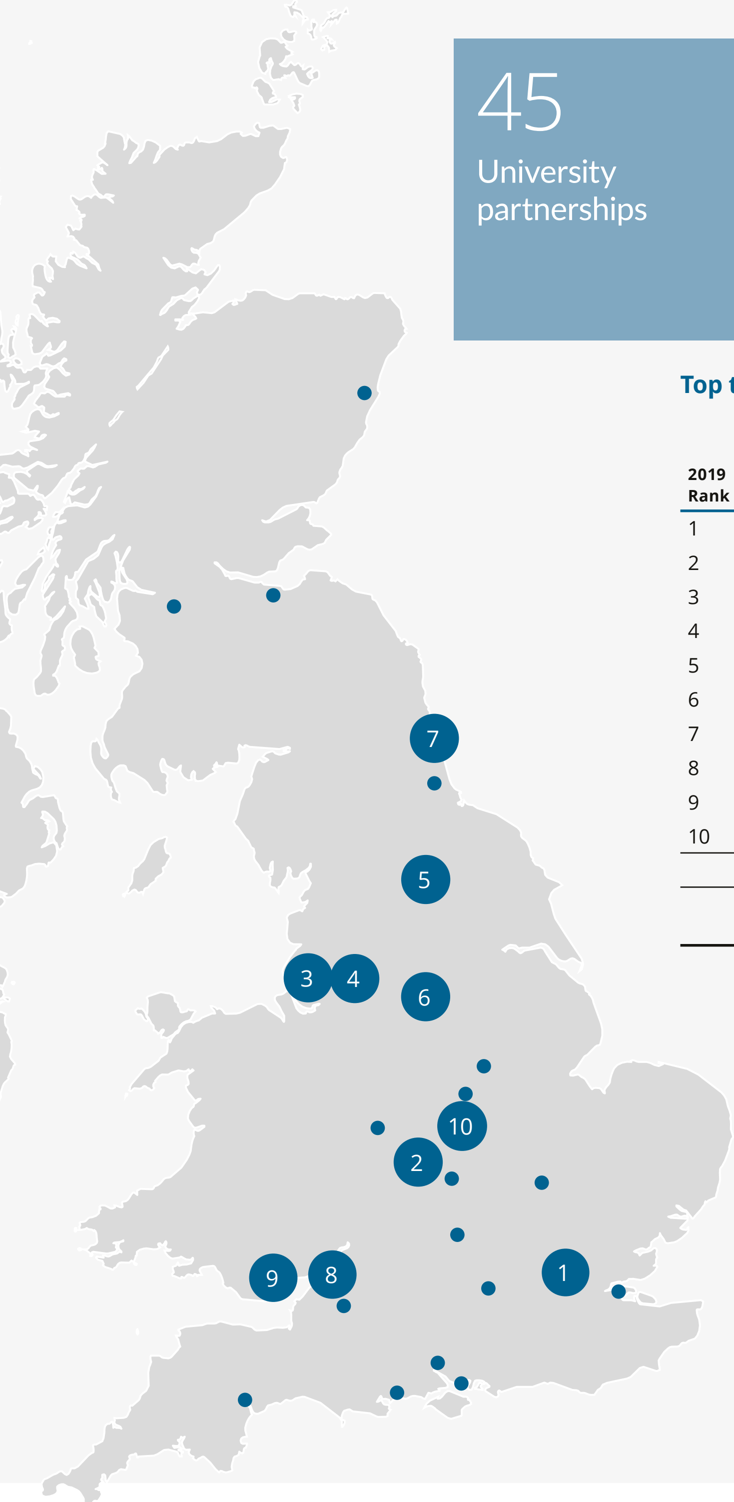
* A full glossary of definitions is available on pages 235 and 236.

## At a glance

# We are the UK's largest owner, operator and developer of purpose-built student accommodation serving the UK's world-leading Higher Education sector.

We have the best properties in the best locations and a best in class operating platform allowing us to deliver a Home for Success for our students, University partners, people, and shareholders.




**45**
University partnerships

**74,000**
Students

**88%**
of our portfolio is aligned to high- and mid-ranked Universities

### Top ten cities & properties

| 2019 Rank | City | Completed Beds (FY19) | Full-time Student Numbers (18/19) | Market Share |
|---|---|---|---|---|
| 1 | London | **10,920** | 327,840 | 3.3% |
| 2 | Birmingham | **6,498** | 73,845 | 8.8% |
| 3 | Liverpool | **6,469** | 51,980 | 12.4% |
| 4 | Manchester | **5,017** | 66,195 | 7.6% |
| 5 | Leeds | **4,634** | 59,525 | 7.8% |
| 6 | Sheffield | **4,498** | 53,150 | 8.5% |
| 7 | Newcastle | **3,763** | 47,845 | 7.9% |
| 8 | Bristol | **3,758** | 47,345 | 7.9% |
| 9 | Cardiff | **3,480** | 40,065 | 8.7% |
| 10 | Leicester | **3,251** | 38,680 | 8.4% |
| | **Total** | **52,288** | **806,470** | **6.5%** |
| | Proportion of Unite portfolio | **71%** | | |

**Unite is invested in two specialist funds and joint ventures with institutional investment partners.**

Unite UK Student Accommodation Fund (USAF)
**£2.8bn**
GAV

London Student Accommodation Venture (LSAV)
**£1.3bn**
GAV

See our **Property review on** page 62

1,900

Highly trained people

5,191

New beds in secured development pipeline

See our **Property review on** page 62

## Our values and culture

**Our people live our values, and that is part of what makes our Home for Success.**

- Work together
- Be better
- Do what's right
- See it through
- Have fun

## Environmental and social impact

**Being a responsible business is central to everything we do at Unite Students.**

See more on our **Responsibilities on page 74**

## Why invest in Unite Group PLC

# We are the UK's leading owner, operator and developer of student accommodation with a strong track record of delivering returns.

### Market leadership with focus on customer service and efficiency

- Transformational acquisition of Liberty Living creates combined portfolio of 74,000 beds
- Sector-leading operating margins thanks to PRISM operating platform and scale efficiencies
- Digital capability has helped increase the differentiation of our offer, improve student experience and drive operating efficiencies

£15m

**of annual cost synergies from acquisition of Liberty Living**

Read more **on page 17**

### High-quality, visible income

- Strategic relationships with 45 University partners
- 56% of our rooms are let under nomination agreements, two-thirds of which are multi-year and inflation-linked
- High-quality, well located portfolio, 88% aligned to high- and mid-ranked Universities
- Re-bookers account for 28% of our direct-let bookings

6 years

**WAULT of nomination agreements**

Read more **on page 23**

### Favourable market dynamics

- UK demographic turns positive from 2021 – potential 213,000 additional students by 2030
- Government support for international student growth
- Undersupplied market
- Supports rental growth of 3.0–3.5%, through a combination of improved utilisation value-driven price increases

+4%

**growth in applications for High-Tariff Universities**

Read more **on page 26**

## Robust income and capital structure

- Strong balance sheet
- Investment grade credit rating
- Well diversified debt across lenders and maturities

**35%**
**LTV target**

Read more **on page 68**

## Track record of earnings growth

- Average rental growth of 3.5% and occupancy of 98% over five years
- 24% compound annual dividend growth over five years
- 85% dividend pay-out ratio for enlarged group
- Acquisition of Liberty Living materially EPS enhancing from 2020

**+206%**
**Total shareholder return over five years**

Read more **on page 68**

## Well positioned for future growth

- Visible earnings growth trajectory
- Scalable operating platform
- Strong development pipeline, with capacity to maintain development run-rate of 2,000 beds p.a.
- Further growth opportunities emerging

**5,191**
**new beds to deliver by 2023**

Read more **on page 62**

*"If I had any issues I could always find someone to help to resolve those issues as best as possible, which is always a good thing because you don't want to be stressed when you're settling in. Even now they're always there to help. It feels like living at home."*

**Hassan**
Student living in Birmingham

+19
Net Promoter score

75%
Students checked in online where offered the facility

**OUR PURPOSE IN ACTION**

## Creating a Home for Success for our Students

**Our continued research and insight programme, and almost 30 years' experience give us a sector-leading knowledge of what students want.**

This has helped us to build our student proposition and develop our brand promises to ensure we create a Home for Success:

Getting settled in: making the leap to University and student life is a huge transition, so we make every effort to help students settle in. Our enhanced service platform makes student life hassle-free where we can help it, whilst empowering students to live the student life they want to experience.

Feeling safe and secure: feeling comfortable in your accommodation is what makes a place feel homely, so safety is our top priority.

Knowing someone's there if you need them: not everyone needs support, but even being aware of a safety net can inspire confidence, so we make sure our students know we are there for them. Our in-app maintenance reporting system allows students to log and track issues, with 80% being fixed first time before the end of the next working day.

Read more on page 59


HELLO
WELCOME

*"Unite have really worked hard to properly understand the requirements and the needs of our students. I'm confident that the student rooms that Unite are operating and developing for the University of Leeds are providing our students with comfortable, good value, safe accommodation. I'm really looking forward to the opening of White Rose View in September this year and to working more closely with the team at Unite in future years."*

**Ian Robertson**
Director of Residential & Catering Services, University of Leeds

82
Higher Education Trust score

56%
of beds under nomination agreements

OUR PURPOSE IN ACTION

## Delivering exceptional student experience for our

# Partners

**Our relationships with our University partners are crucial to us being able to offer the best service to our students; an ambition shared by our partners.**

We work hard to create tailored plans with our University partners to ensure students are aware of opportunities to enrich their student life and aid their studies, making us the partner of choice to the strongest Universities.

We achieve this by offering the best properties in the best locations, with enhanced service from our people. Our deep relationships allow us to grow the proportion of beds in long-term nomination agreements that underpin our security of earnings and visability of future growth. Our 2019 Higher Education Trust score of 82, a rise of one-point from last year, shows that our partners are confident in our ability to deliver a Home for Success to their students.

Read more **on** page 14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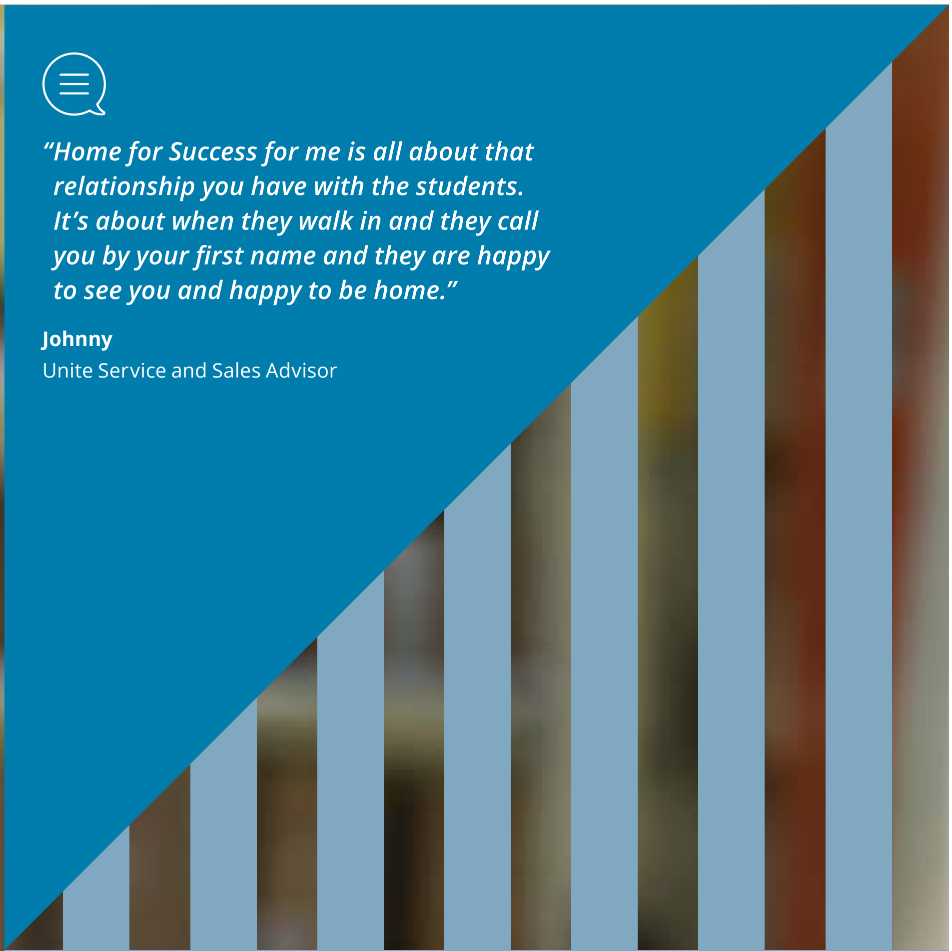


*“Home for Success for me is all about that relationship you have with the students. It’s about when they walk in and they call you by your first name and they are happy to see you and happy to be home.”*

**Johnny**
Unite Service and Sales Advisor

78%
Employee Engagement score

Real Living Wage Employer

OUR PURPOSE IN ACTION

# Creating a great place to work for our People

**As a service-focused business, our people are just as important as our customers.**

We are driven by our values and culture and are committed to developing a diverse and inclusive organisation.

We hold Investors in People Gold status and are a Real Living Wage employer whilst offering enriching employee benefits that create a healthy work/life balance. We regularly review our people policies to ensure we are creating an innovative platform from which our people can thrive.

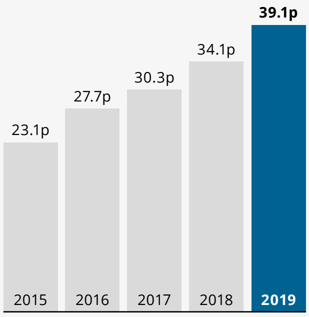
Attracting the best people to the right roles is paramount as this drives a strong internal culture, operational efficiency, and high performance and engagement.

We provide work opportunities for 160 students through our Student Ambassador programme. By paying the Real Living Wage, this provides meaningful skills and career development opportunities.

Read more **on** page 83

## Chairman's statement

# 2019 was a successful and transformational year for Unite.

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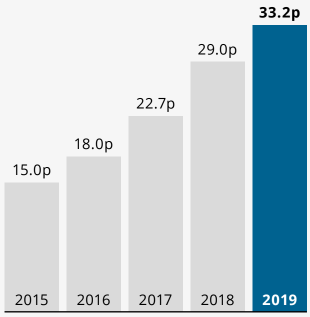
39.1p




**Dividend per share** (p)

33.2p

*"We believe in acting responsibly and sustainably in all areas of our business to promote our long-term success for all key stakeholders."*

**Phil White**

Chairman

2019 was another successful year for Unite, building on our strong foundations for growth. Our high-quality, well-located portfolio produced a strong year of operational performance, delivering across all of our key metrics. In addition, we leveraged our best-in-class operating platform to make the transformational acquisition of Liberty Living's 24,000-bed portfolio. This is made possible by the quality of our value-for-money product, our customer service, highly committed people and our positive and growing reputation with students and Universities.

Financial performance has once again been strong, with a total accounting return of 11.7% and 15% growth in EPRA EPS to 39.1p. This performance is underpinned by continued like-for-like rental growth, further improvements to our operating margins and development completions. Due to this positive performance, we are proposing a final dividend of 22.95p, to deliver a total dividend of 33.2p for the full year, an increase of 14% year-on-year.

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Our strong performance is only possible because of the talent and hard work of our teams across the business. On behalf of the Board, I would like to thank them for another excellent year. I would also like to take the opportunity to welcome our new colleagues from Liberty Living. Our acquisition brings together two high-performing companies with an excellent track record of success, and I am very excited by the opportunities that lie ahead.

I will be stepping down from the Board at the 2021 Annual General Meeting, following completion of the integration of the Liberty Living acquisition. Succession planning is underway and the Nomination Committee will identify my successor within the next 12 months. Sir Tim Wilson stepped down from the Board at the end of the year after serving nine years, and I would like to thank him for his significant contribution to Unite. Dame Shirley Pearce DBE was appointed to the Board in November and Professor Sir Steve Smith will join in April 2020, both as Non-Executive Directors who bring a wealth of experience in the Higher Education sector. In addition, we are pleased to welcome Thomas Jackson, head of CPPIB's UK real estate business, as a Non-Executive Director, following the acquisition of Liberty Living.

We have a diverse and experienced Board who are committed to promoting the long-term success of the Company for the benefit of key stakeholders. We believe in acting responsibly and sustainably in all areas of our business and work to make a difference in areas as diverse as environmental impact, diversity, affordability, mental health and wellbeing. 2020 will see new sustainability targets set for the enlarged business that recognise the challenge of climate change and our role in helping more young people access Higher Education and improving outcomes for students.

The success of our business is founded on a clear strategy and we will continue to deliver on its main objectives: providing value-for-money accommodation that our customers value; delivering quality buildings designed around student needs; generating high-quality recurring earnings; and maintaining a strong capital structure.

The outlook for our business remains positive, reflecting increasing participation rates for UK Higher Education, growing international demand and the shortage of fit-for-purpose housing in the UK. While Brexit negotiations and the Higher Education Funding Review create some uncertainty, the Higher Education sector's strong fundamentals, our high-quality portfolio and pipeline, University relationships and market-leading operating platform, provide the foundations for continued growth.

**Phil White**
**Chairman**
26 February 2020

## Our people, values and culture set us apart from competitors

Work together

Be better

Do what's right

See it through

Have fun

Read more about our **People on page 83**

## University Partnerships

Our University partners are crucial to our long-term success and are a key strategic advantage for us. Universities increasingly recognise the importance of their accommodation options in attracting and retaining students. As we do, they recognise student homes as a key part of a student's experience at University, allowing them to fully benefit from their investment in higher education. This has led to a broad range of discussions around new opportunities with our University partners, including increasing our long-term nomination agreements to secure income for longer. Our University Partnership team is in continual dialogue with our 45 partners to understand their needs and accommodation strategies, and this informs our bespoke city-wide proposals to Universities.

For example, we have been working with the University of Bristol to assist them in delivering their plans to cater for significant growth in student numbers in a new University partnership agreement. We have agreed to deliver around 3,000 beds in multi-year nomination agreements across the city. This includes comprehensive refurbishment plans across four assets to improve their specification and the overall experience for students. The agreement also includes long-term nomination agreements on two new development sites in the city totalling around 1,100 beds. These buildings are being designed in tandem with the University of Bristol, who have also supported our planning proposals. One of those new developments is the Bristol Royal Infirmary (BRI), a heritage-led redevelopment scheme of the old BRI building. It will provide 62 residential units alongside 416 beds for students, and the conversion of a Listed chapel for community use. This scheme is now in the construction phase and will be delivered for the University in time for the 2021/22 academic year.

We have also secured a new strategic 30-year nomination agreement with the University of Leeds at our White Rose View development, completing in 2020.

Our latest Higher Education Trust score of 82, an increase of one-point on last year and three-points over the last three years, not only shows that Universities increasingly trust us as a provider of accommodation, but also shows that Universities trust our offer to their students more than ever.

Following the acquisition of Liberty Living, the enlarged Group now has nearly 41,500 beds let under nomination agreements, deepening our key University relationships. The acquisition brings relationships with new Russell Group institutions, such as the University of Manchester, the University of Sheffield and Cardiff University. This aligns with our aim to partner with high- and mid-ranked Universities across the UK. The Liberty portfolio also broadens our product range, including lower price points in some markets, helping to meet an increasingly diverse range of student needs.

**82**
Higher Education Trust score

**88%**
of our portfolio is aligned to high- and mid-ranked Universities

**45**
University partners

Do what's right

# Strategic report

## Chief Executive's review

### We have maintained our focus on delivering sustainable growth in recurring profits and cash flows over the long-term, and on delivering a Home for Success for all who live with us.

*"Our strong results remain underpinned by the quality of our value-for-money product and the strength of our relationships with Universities. These qualities differentiate Unite in a sector that remains undersupplied and is anticipating strong growth in student numbers over the next decade."*

**Richard Smith**
Chief Executive Officer

I am pleased to report another strong year for Unite. We have maintained our focus on delivering sustainable growth in recurring profits and cash flows over the long term, and on delivering a Home for Success for all who live with us. We do this by providing valued customer service and operating high-quality, affordable accommodation, designed specifically for our customers' needs. Our investment discipline ensures we align our portfolio to the strongest Universities, while maintaining a robust capital structure.

Strong performance in 2019 resulted in 15% growth in EPRA EPS, reflecting continued like-for-like rental growth, further improvements to our operating margins and development completions. The loss before tax of £101.2 million is primarily the result of the impairment of goodwill and intangibles of £384.1 million resulting from the share component of our £1.4 billion acquisition of Liberty Living, which was priced on a NAV-for-NAV basis. Excluding items relating to the Liberty Living acquisition, profit before tax increased to £305.3 million (2018: £245.8 million), reflecting growth in EPRA earnings and higher revaluation gains from the development pipeline. The security, quality and visibility of our earnings provides the confidence to maintain our dividend payout of 85% of EPRA EPS.

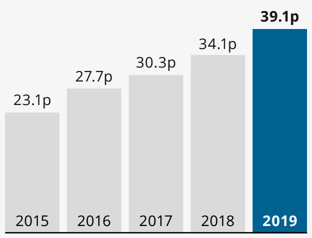
We also delivered another strong year of total accounting returns. Looking forward, our acquisition of Liberty Living will help to further enhance the income component of our total returns.

Our key financial performance indicators are set out below:

| Financial highlights | 2019 | 2018 |
|---|---|---|
| EPRA earnings | **£110.6m** | £88.4m |
| EPRA EPS | **39.1p** | 34.1p |
| Dividend per share | **33.2p** | 29.0p |
| EPRA EPS yield | **4.9%** | 4.7% |
| Total accounting return | **11.7%** | 13.2% |
| (Loss)/profit before tax | **£(101.2)m** | £245.8m |
| Profit before tax excluding items relating to the Liberty Living acquisition | **£305.3m** | £245.8m |
| Basic EPS | **(31.5)p** | 90.8p |
| EPRA NAV per share | **853p** | 790p |
| See-through LTV ratio | **37%** | 29% |

A reconciliation of (loss)/profit before tax to EPRA earnings is set out in note 8 of the financial statements.

We will continue to focus on growing our earnings. This is supported by our operational excellence and development activities. We have a high degree of income visibility through our nomination agreements and re-bookers, as well as growing demand from international and postgraduate students. The more effective utilisation of assets also underpins our ability to grow income on an annual basis, while ensuring the ongoing affordability of our product. We see further opportunities to enhance our operating margins, while also continuing to invest into our service offer.

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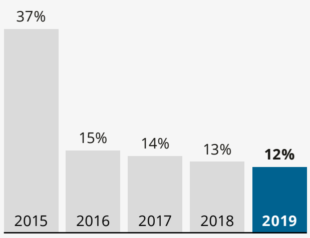
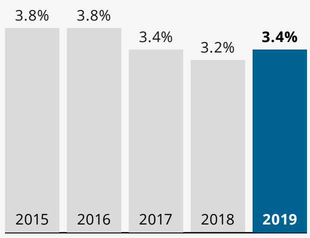



**Total accounting return*** (%)

12%




**Rental Growth**

3.4%

Our PRISM operating platform, coupled with our experienced management and leadership teams, give us a unique capability to drive value through scale efficiencies, revenue management and utilisation, supporting our focus on delivering sustainable growth in income. This capability underpinned our £1.4 billion acquisition of Liberty Living during the year and gives us confidence in delivering material earnings accretion for the combined Group.

Development remains one of the core strengths of our business and will significantly contribute to our future earnings growth. We continue to see significant development opportunities through University partnerships and more traditional development activity, driven by a positive outlook for student demand and our established relationships in the real estate sector.

We remain focused on improving the quality of our portfolio through our customer insight and extensive local knowledge to align with the top performing Universities and ensure that we are meeting our customers' needs within our markets.

### Placing and acquisition of Liberty Living

In July, we announced our transformative acquisition of Liberty Living's 24,000-bed portfolio for £1.4 billion in a NAV-for-NAV deal from Canada Pension Plan Investment Board (CPPIB). The acquisition was funded through a combination of cash and shares, including the £260 million of gross proceeds raised through our successful 9.99% equity placing in early July at a price of 985p per share.

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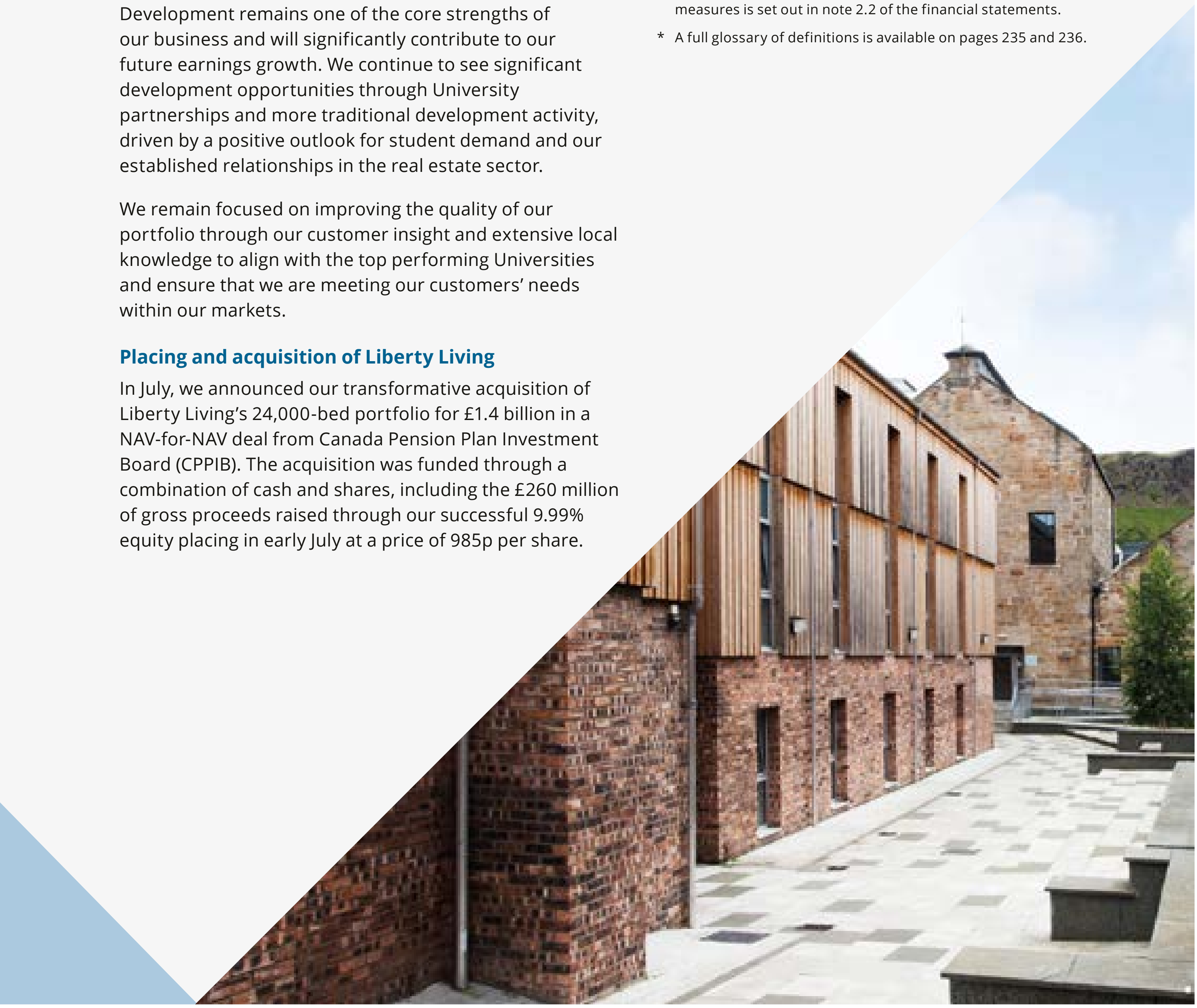


## Chief Executive's review continued

The acquisition utilises Unite's best-in-class operating platform, PRISM, to create a combined portfolio of 74,000 beds and valued at c.£8 billion (Unite share: £5.2 billion). Liberty Living beds will be fully integrated into PRISM, delivering £15 million of annual cost synergies from 2021. Positive early progress on integration has increased 2020 cost synergies to £5–6 million. We expect to incur integration costs of £7 million in 2020 to realise these cost synergies.

The acquisition is materially accretive to EPRA earnings per share from 2020 onwards and is broadly NAV-per-share neutral. The acquisition has been conservatively financed, resulting in an LTV of 37% for the combined Group at the year end, which we intend to reduce to 35% through disposals, development profits and valuation growth. The acquisition completed at the end of November, following unconditional approval from the Competition and Markets Authority (CMA).

We have made significant progress in the first three months of our ownership and we now expect to realise overhead cost savings more quickly than initially expected. In addition, we see opportunities over time for further efficiencies in areas such as procurement and energy efficiency in the Liberty Living portfolio.

We remain committed to combining the best of both businesses and there have already been significant operational learnings from our working with our new colleagues. In particular, Liberty Living has fostered excellent operational relationships with its University partners which will complement the strength of our existing strategic level relationships. The Liberty Living acquisition also offers a wide range of properties, generally at affordable price points. This is highly complementary to our existing portfolio and University relationships and creates the breadth of product to pursue opportunities for customer segmentation. We may also incorporate elements of the less-intensive operating model used by Liberty Living in some locations, which is highly efficient while still delivering positive student experience.

### Home for Success

While Higher Education is not the only path to a fulfilling and successful life, its capacity to improve the professional and social outcomes of people from every walk of life remains undiminished. This is increasingly recognised by both young people and parents as reflected in record participation levels, with 33% of UK 18-year-olds in 2019 choosing to make the investment in going to University, up from 26% in 2010.

At the same time and in a highly competitive market, we recognise that students are increasingly focused on the value-for-money they get from this investment. This underpins our determination to ensure Unite remains positively differentiated from other operators by the

Common room in Horizon Heights, Liverpool

quality of the experience we offer. Central to this is our continued investment in our brand and our people's commitment to our purpose.

Home for Success means providing a living environment that enables students to get the very best out of their time at University. With this in mind, we continue to invest in the things that our extensive research tells us matter most to students and the Universities we work with: the smoothest possible transition to University life; a home that is safe and secure; and ensuring that help is on hand when needed. Our progress in delivering our brand promises over the last year is demonstrated by record customer satisfaction, Higher Education trust and employee engagement as well as our achievement of a Five-Star Occupational Health & Safety audit from the British Safety Council.

Just as important as a great day-to-day living experience is the overall value we offer students over the course of their time with us. As a result, our properties are located where students consistently tell us they want to live: close to their University, public transport and other amenities. The design of our properties reflects a detailed insight into what students want, with common areas where they can relax and socialise, study areas and, in most cases, outside space. Our portfolio includes a range of different accommodation types but 91% of our students live in shared flats with ensuite bathrooms, a shared kitchen and common living space. We know this is how most students prefer to live and also best meets the requirements of our University partners. Over the last year, to ensure our common rooms remain in step with the changing lifestyles and preferences of students, we have involved students and Universities in testing a number of innovations in design, layout, specification and fit out, and rolled out these initiatives across a number of properties.

Not all students are the same and we therefore offer a range of different price points and tenancy lengths to meet their varied requirements. Our rents include all utility bills and service charges, high speed Wi-Fi, full contents insurance, a rapid response maintenance service, round-the-clock security, a 24/7 call centre, access to our market leading welfare service and the MyUnite app. As well as a wealth of useful information about student living, this bespoke digital platform provides quick and efficient access to key services. Collectively, these services help students avoid many of the direct and indirect costs, as well as the administrative hassle and hidden costs, they may encounter while living in private accommodation.

The integration of the Liberty Living business provides the opportunity to deliver an even better Home for Success to more students more efficiently.

## Chief Executive's review continued

# Transformational acquisition of Liberty Living's 24,000 bed portfolio.

**In July we announced the £1.4 billion acquisition of Liberty Living. We have held a great respect for Liberty Living, regarding them as another industry leader with similar values and focus on customer service, University relationships and safety.**

We completed the acquisition from Canada Pension Plan Investment Board on 29 November, following an unconditional approval from the Competition and Markets Authority (CMA).

The acquisition brings our total number of beds up to 74,000, in 177 properties in 27 University towns and cities across the UK.

Our increased scale means we can offer a Home for Success to even more students and nurture stronger long-term University partnerships. At the same time, we will reduce operating costs and overheads in the Liberty Living portfolio, to deliver £15 million of annual cost synergies from 2021. Liberty Living will be integrated into our best-in-class operating system, PRISM. The combination will give more students access to our MyUnite app and welfare services.

**74,000**
**Beds**
across the enlarged Unite Group

**177**
**Properties**
in 27 University towns and cities across the UK

*"This deal brings together two complementary businesses who share a commitment to providing high-quality, affordable student accommodation with a focus on service and welfare and a strategic alignment to Universities where student demand is strongest."*

**Richard Smith**
Chief Executive Officer

## Chief Executive's review continued

### Safe and secure

Safety forms a key part of how we operate as a responsible business, underpinned by our commitment to go above and beyond minimum standards to provide the safest and most secure environment for our students and employees. As a result, I am delighted that we have achieved a Five-star audit rating (out of five) from the British Safety Council (BSC) following an Occupational Health & Safety audit in November. The audit measures our performance against a number of key safety management indicators, providing organisations with a worldwide benchmark of their safety management systems against current best practice to enable continual improvement. This result reflects significant improvement from our last audit 18 months ago, where we were awarded a Four-star rating.

This achievement is the culmination of hard work and investment, including additional health and safety resource and improved accountability and ownership of health and safety across the business. The hard work does not stop here and we remain absolutely committed to both understanding how we keep our students and employees safe, and executing this to the very best of our ability.

Fire safety is a critical part of our health and safety strategy. Our fire safety plans involve engagement with our primary authority, the Avon Fire & Rescue Service, and local fire brigades as well as input from independent fire safety experts who conduct annual assessments of our portfolio and have confirmed that all our properties are safe for occupation.

We also work closely with the Ministry of Housing, Communities and Local Government (MHCLG) to ensure our properties comply with emerging guidelines. As part of this, following the tragic events at Grenfell Tower, we have removed Aluminium Composite Materials (ACM) cladding from our buildings where needed, in line with Government advice. We take fire safety extremely seriously and are at the forefront of new improvements, being one of the first to act on ACM advice. More recently, and in accordance with the Government's Building Safety Advice of 20 January 2020, we are undertaking a thorough review of the use of High-Pressure Laminate (HPL) cladding on our properties.

We have identified 19 properties with HPL across our estate, all but three of which are greater than 18 metres in height. The majority of buildings have minimal HPL, covering less than a quarter of the buildings.

Tests of the materials and cladding systems are being carried out for each property. All our buildings have been confirmed safe for students to occupy by independent fire safety experts. In addition, special measures have been put in place at the affected buildings, including increased building patrols by staff and additional alarm measures, and we will remove this cladding where it fails to meet the new requirements.

We are committed to doing what's right, in line with our values. We do not expect there to be any building closures related to these works.

The cost of replacing the HPL cladding is expected to be £15–20 million (Unite share), which will form part of our capex programme for investment properties. We expect this spend to be incurred over the next 12–24 months, with activity prioritised according to our risk assessments. If we are successful in claims under build contracts, the cost for Unite could be lower than this figure.

### Partner of choice for Universities

Our reputation with partner Universities is a key strategic advantage for Unite. The results of our latest independent Higher Education trust survey show that our reputation with Universities across the UK is at record levels. This is leading to a broad range of discussions about new opportunities with our University partners. In a highly competitive environment, Universities increasingly recognise the importance of high-quality accommodation in their ability to attract and retain students and ensure their satisfaction. Universities typically seek to guarantee accommodation for all first year and international students, recognising that housing helps students settle into University life and forms an important part of their offer to students.

Unite is increasingly viewed as a strategic partner by Universities in delivering their long-term accommodation strategies, building on our best-in-class operating platform and the commitment of 1,900 people whose understanding of students is informed by our almost 30-year history in the Higher Education sector.

We put these capabilities at the disposal of Universities through a sustained engagement programme, spanning multiple levels and functions within Universities. Our local management teams work closely with University accommodation offices, student services and sustainability teams to ensure we fully meet their requirements on a day-to-day basis. A dedicated University engagement team, meanwhile, maintains regular contact with Vice-Chancellors and their leadership teams to ensure we fully understand – and can contribute to – their long-term ambitions and strategy.

Following the acquisition of Liberty Living, the enlarged Group now has nearly 41,500 beds let under nomination agreements with 45 of the UK's leading institutions. The acquisition deepens some of our key University relationships and brings new relationships with Russell Group institutions such as the University of Manchester, the University of Sheffield and Cardiff University. The Liberty Living portfolio broadens our product range, including lower price points in some markets, helping us meet demand from Universities for high-quality, affordable accommodation.

For the 2019/20 academic year, 56% of the combined Group's beds are let under nomination agreements (2018/19: 60%), reflecting a lower level of nominations in the Liberty Living portfolio. This compares to just over 20% of beds under nomination agreements among our peers in the corporate Purpose-Built Student Accommodation (PBSA) sector. With an average remaining life of six years, our multi-year nomination agreements provide us with visibility for average annual rental growth of 3.0% over the next five years at current levels of inflation and utilisation.

During 2019, we secured two further long-term University partnerships with the University of Bristol and the University of Leeds. These agreements will further enhance the alignment of our income to high- and mid-ranked Universities. We are also in active dialogue with 11 Universities over potential partnerships, covering nearly 24,000 existing and new beds. These discussions often cover a range of potential solutions on a city-wide basis, including multi-year nomination agreements for our existing operational assets, on-campus and off-campus developments and stock transfer/outsourcing arrangements.

### Operating quality buildings

The quality, location and scale of our portfolio is a key component of our business model and long-term strategy. We aim to operate high-quality, affordable buildings and offer a range of price points to meet the needs of different students. Our properties are located in and around leading Universities where student demand is strongest. We believe that our focus on these institutions is the best strategy for driving continued high levels of occupancy and rental growth. We are therefore focussing our portfolio activity on further improving alignment to high- and mid-ranked Universities and being in the best locations. For the 2019/20 academic year, 88% of our income is generated by students attending such Universities (2018/19: 90%). This alignment has been modestly diluted by the acquisition of the Liberty Living portfolio but will be enhanced by our development pipeline and planned disposals.

During 2019, in addition to the Liberty Living acquisition, we opened 2,390 new beds, added 456 beds to our portfolio through acquisition and sold 1,127 beds to third parties. Taking into account these activities and the acquisition of Liberty Living, together with valuation movements, the value of our investment portfolio (including our share of USAF and LSAV) is £4.7 billion as at 31 December 2019 (2018: £2.7 billion).

## Chief Executive's review continued

We made excellent progress in our development pipeline during the year. We delivered three buildings on time and budget for the 2019/20 academic year, with approximately 70% of the beds secured under nomination agreements with an average life of 16 years, supporting our quality of income. Planning consents and build contracts are in place for all 2020 and 2021 deliveries and plans for schemes to be delivered in 2022 and 2023 are being progressed. We intend to maintain a development run-rate of approximately 2,000 beds or £150–200 million of annual capital expenditure, with opportunities once again emerging in London following a softening in land values. London remains our most under-supplied market, with some of our strongest University relationships.

Disposals remain an important part of our strategy and we will continue to recycle assets out of our portfolio to ensure that we increase our exposure to the UK's best Universities, while generating capital to invest in further development activity and other investment opportunities. During the year, we completed £298 million of disposals (Unite share £249 million) in line with book value, across seven properties at a blended yield of 5.7%.

We intend to sell a further £150–200 million of assets per annum (Unite share) in both 2020 and 2021, including some assets acquired with Liberty Living, to help reduce our LTV from 37% at the year end to its medium-term target of 35%. This disciplined approach to portfolio optimisation underpins our ability to sustain rental growth over a longer time horizon and fund the development pipeline.

### Unite as a responsible business

We believe in acting responsibly and sustainably in all areas of our business. Our Up to uS programme works to make a difference in areas including our environmental impact, diversity, affordability, mental health and wellbeing. We look to engage with our multiple stakeholders to inform our strategy and understand how we can sustainably deliver value over the long term.

We continue to invest in our portfolio to improve our energy efficiency, through initiatives such as smart building controls, solar panels and air source heat pumps. In addition, there are opportunities to roll out a range of energy efficiency measures across the former Liberty Living estate. We are committed to acquiring 100% renewable energy, which has contributed to reductions in our carbon emissions, and recently signed a Power Purchase Agreement to buy around 30% of our electricity from a dedicated wind farm in Scotland (excluding Liberty Living properties). In addition, we work with the National Union of Students (NUS) through their Positive Impact Awards to encourage environmentally friendly living habits by our customers as they live independently for the first time in many cases.

We also believe strongly in delivering social value by supporting Universities to widen participation into Higher Education and helping to improve outcomes for students. The Unite Foundation works in partnership with 27 Universities to provide support to students from challenging backgrounds and is providing financial support to 189 students for the 2019/20 academic year. We accelerated the national roll out of our Leapskills programme for school leavers in 2019 and continue to connect students to prospective employers through our Placer app.

We want to be a great place to work and are committed to creating diverse and engaged teams. We are an accredited Real Living Wage Employer and hold the prestigious Investors in People Gold Standard accreditation, reflecting our focus on recruiting, retaining and developing the very best people. We also employ around 160 of the students who live with us as Ambassadors, providing meaningful employment and development opportunities for young people each year.

Our sustainability performance is reflected in achieving the leading GRESB performance in the listed residential sector in Europe and a three-star rating, our AA rating from MSCI and a Most-Improved Award under EPRA's Sustainability Best Practice Recommendations.

2020 will see the launch of a dedicated sustainability report as we look to provide greater transparency and accountability around our ESG initiatives. We plan to introduce stretching new carbon targets for our enlarged business and will also adopt the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

### Growing demand for Higher Education

The outlook for student accommodation remains positive, with structural factors continuing to drive a demand-supply imbalance for our product. The UK Higher Education sector is recognised globally for the strength of its Universities and the contribution it makes to research, innovation, talent development and the UK economy and our society more broadly. The UK is the second most popular destination for international students and 28 UK Universities feature in the top 200 of the QS World University rankings. Unite works with 21 of these institutions.

Demographic pressures, resulting in a shrinking 18-year-old population since 2015, reverse rapidly from 2021. Participation rates also continue to grow, reflecting the value young adults place on a higher level of education and the financial stability it offers. Moreover, the Government is targeting a 115,000 increase in international student numbers by 2030, which will be aided by the launch of a new two-year post-study visa for the 2020/21 academic year. JLL forecasts a 335,000 increase in full-time student numbers by 2030 on the assumption of current participation rates. Given constraints on new supply of University-owned stock and private-rented housing, the vast majority of this new demand will need to be met by corporate PBSA providers.

The Government's response to the Augar Report on post-18 education and funding is expected later this year. We are encouraged by the Government's desire to strengthen the global standing of the UK Higher Education sector and increase and widen participation in post-18 education.

Brexit will have a negative impact on EU student numbers from 2021/22, which accounts for 9% of our customers, due to the potential loss of 'Home' fee status and access to a tuition fee loan for EU students. We expect a 30% reduction in demand from EU students, equating to just under 3% of our customer base by 2023/2024. However, we are confident in our ability to absorb this impact thanks to the coinciding demographic growth for UK students and the more accommodating visa policy for non-EU students.

### Coronavirus

We continue to monitor the situation regarding the outbreak of the Coronavirus, with the safety and wellbeing of our students and employees our top priority. We have been in contact with Public Health England since late January and are closely following their guidance, as well as that of the World Health Organisation. We have robust contingency plans in place and are taking steps to ensure our students have access to the most up-to-date information and advice.

To date, we have not seen a negative impact on reservations from international students for the 2020/21 academic year. We are monitoring the potential risk to our 2020 summer income and 2020/21 academic year income in the event of ongoing disruption. We will continue to work on mitigating actions and monitor the situation. We will provide an update if appropriate.

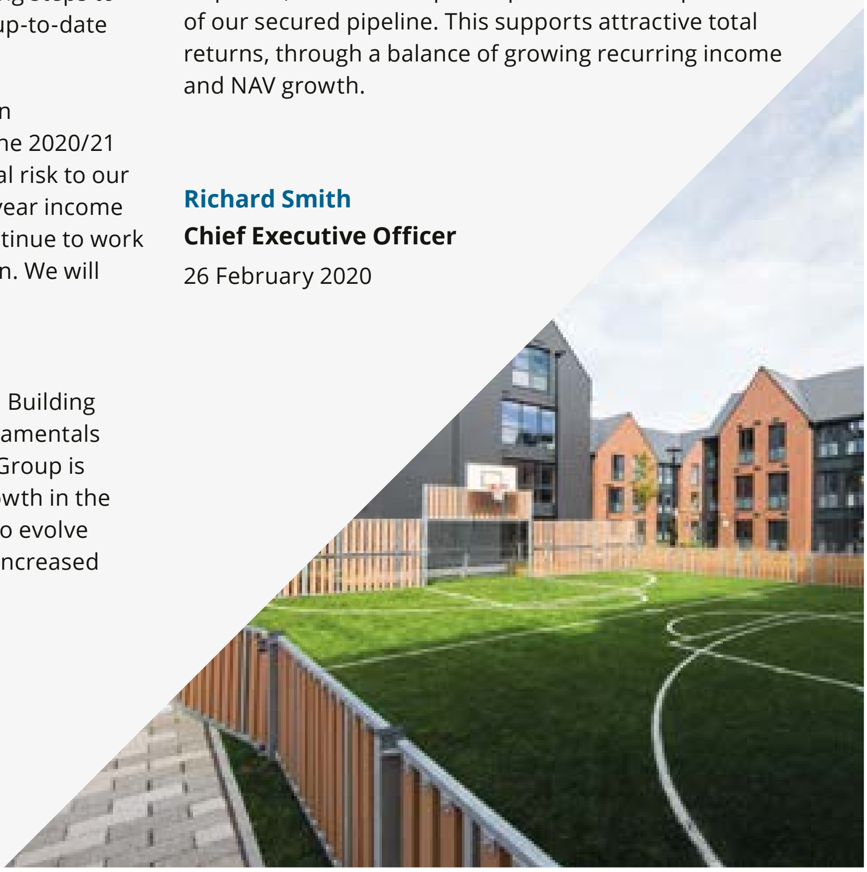
### Outlook

The outlook for the business remains positive. Building on the foundations of the sector's strong fundamentals and our best-in-class operating platform, the Group is well placed to deliver sustainable earnings growth in the years ahead. Higher Education policy is likely to evolve during the current Parliament, but we expect increased participation in post-18 education to remain a key part of the Government's education strategy. Our alignment to and relationships with the best Universities, as well as our focus on delivering affordable, value-for-money homes for our customers, positions us well to navigate any changes.

There are significant growth opportunities available to the Group, created by increasing student numbers and the growing awareness of the benefits of PBSA among non-first year students. We continue to see opportunities for new developments and University partnerships, building on the strength of our brand in the sector and the need of Universities to deliver on exceptional student experience in a competitive HE environment. We are one of the largest operators of rented residential accommodation in the UK and our operating capabilities provide us with a real opportunity. We see the potential to segment our existing customer proposition to better meet student needs and extend our offer to new customer groups.

Despite some uncertainty created by Brexit, the review of Higher Education funding and Coronavirus outbreak, the outlook for demand remains strong. The early strength of applications data and reservations for the 2020/21 academic year are supportive of rental growth of 3.0–3.5% through a combination of value-driven price increases and improved utilisation. We are also confident in the medium-term outlook for earnings growth. Rental growth, together with cost synergies from the Liberty Living acquisition and new openings net of planned disposals, could add 16p to 20p to EPS on completion of our secured pipeline. This supports attractive total returns, through a balance of growing recurring income and NAV growth.

**Richard Smith**
**Chief Executive Officer**
26 February 2020



## Market overview

# Unite operates in a sector that remains undersupplied and is anticipating strong growth in student numbers over the next decade.

### Record student numbers and participation rates

Full-time student numbers reached record levels at nearly 1.9 million for the 2018/19 academic year. The number of applicants and the number of students accepted onto courses in 2019 was 706,000 and 541,000 respectively (2018: 696,000 and 530,000). A 1.5% YoY increase in acceptances was driven by a record participation rate among UK 18-year-olds and a 7% increase in acceptances from non-EU students.

The initial applications data for the 2020/21 academic year is encouraging, with overall applications up 1.2%. A further increase in application rates has helped to offset the lowest point in the demographic dip for UK 18-year-olds. Growth has come from a record number of non-EU applicants (+14.7%), primarily driven by increases from China and India. Student demand remains strongest for higher-tariff Universities, which have seen applications increase by 4% YoY, in contrast with broadly stable applications for medium- and lower-tariff Universities. This is consistent with our strategic focus on partnerships with the strongest Universities where student numbers are growing.

The medium-term outlook for student numbers is strong. Demographic pressures are forecast to reverse significantly from 2021, with the 18-year-old population returning to 2010's height by 2024 and continuing to grow strongly thereafter. This would imply demand for 213,000 additional UK undergraduate places by 2030 at current participation rates. High-tariff Universities have been the major beneficiaries of growth in student numbers since number caps were removed in 2012. Looking forward, we expect the return to demographic growth to bring greatest benefits to medium-tariff Universities, as high-tariff institutions look to strengthen or maintain their entry requirements.

In addition, the UK Government's international education strategy is targeting a 25% increase in the number of international students to 600,000 by 2030. In September 2019, the Government announced a new two-year post-study work visa for international students to be launched for the 2020/21 student intake. The new visa would replace the existing Tier 4 student visa, which typically entitles international students to remain in the UK for four months following completion of their course. The change is expected to improve the UK's international competitiveness in the Higher Education sector, helping to attract more students from China and improve the UK's share of international students from India, Hong Kong, Singapore and the Middle East.

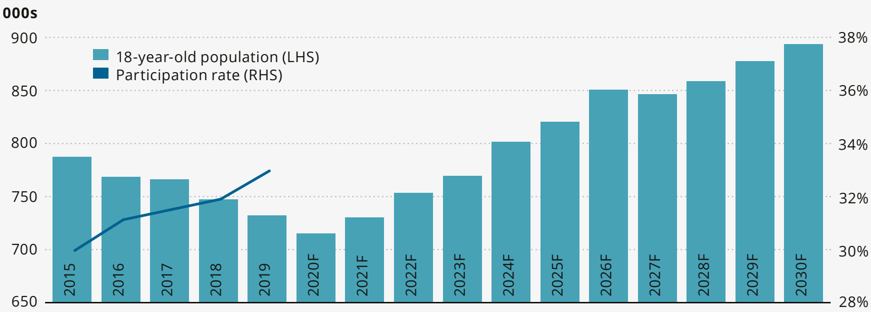
### Higher Education policy

The Augar review of post-18 education and funding was published on 30 May 2019. The report contained a number of recommendations to the way the Higher Education sector is funded, including: a reduction in the maximum annual amount of tuition fees payable by UK students from £9,250 per annum to £7,500 per annum; the reintroduction of means-tested maintenance grants of up to £3,000 per annum; and an increase in the period before which student loans are written off after graduation from 30 years to 40 years.

A student survey by the Higher Education Policy Institute (HEPI) revealed that students' views are mixed between the current tuition fee model and Augar's recommendation to lower headline fees: 40% prefer the current system of £9,250 paid back over 30 years; 41% prefer Augar's approach of £7,500 paid off over 40 years; and 18% have no preference between the two. More significantly, 79% of students say the level of interest charged on their tuition fee loan is one of the most important aspects of the funding system.

The Government has promised to carefully consider the recommendations of the Augar Report on tuition fee levels with a view to reducing the debt burden on students. In addition, the Government will consider the balance of funding between Universities, Further Education, apprenticeships and adult learning. We also expect an increased focus on the value-for-money delivered by Higher Education institutions and purpose-built student accommodation. The Government recently confirmed that the review of fees and funding will take place alongside the next spending review later in 2020.

**UK 18-year old population and participation rate**




Source: ONS, UCAS, Unite

We remain confident that our strategy of delivering high-quality, affordable homes for students and relationships with the best Universities in the UK positions us to successfully navigate future policy changes in these areas.

## Awaiting clarity on Brexit

While the impact on student numbers of the UK leaving the EU is difficult to predict, the number of EU students studying in the UK continued to grow from 108,000 in 2014/15 to 129,000 in 2018/19, made up by 94,000 undergraduates and 35,000 postgraduate students.

The near-term outlook for EU students has been supported by the Government announcement that students from the EU starting their courses in 2020/21 will have current funding arrangements guaranteed for the duration of their degrees, meaning that the full impact of any new funding arrangements following the UK leaving the EU will not take effect until 2023/24.

Following Brexit, there is a risk that tuition fees for EU students will rise from £9,250 to the higher rates currently paid by non-EU students, as well as EU students no longer having access to a tuition fee loan. As a result, we are forecasting a 30% decline in EU undergraduates by 2023, equating to a fall of around 2% of total students.

The terms of the EU withdrawal agreement outline that the UK will continue to participate in the EU's current Erasmus+ and Horizon 2020 Research and Innovation programmes. The Government has also stated that participation in successor programmes to Horizon 2020 and Erasmus+ will be discussed during transition period negotiations as details of the new programmes emerge. Despite the uncertainty this creates, we are encouraged by the Government's stated desire to maintain and strengthen the UK's global position in Higher Education.

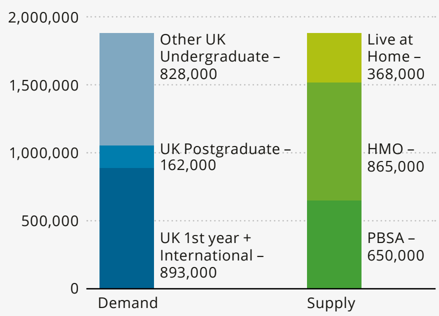
## Sustainable rental growth

The UK PBSA market delivered rental growth of 2.6% for the 2019/20 academic year (Cushman & Wakefield), a modest reduction on the 2.8% delivered in 2018/19. Beds under nomination or lease agreements produced rental growth of 3.3% in 2019/20, above the 2.3% rental growth delivered by direct-let beds. This reflects pressure on direct let rents in some mature markets adjusting to competition from new supply. We remain focused on providing a cluster-led ensuite product at more affordable price points, which aligns with the requirements of our University partners.

For the 2019/20 academic year, average weekly ensuite rents for corporate PBSA ranged from £120–170 per week in major provincial markets and £232 per week in London. This compares to Unite's average ensuite rent of £138 in provincial markets and £221 in London. The largest segment of PBSA demand remains at a price point of between £100 to £150 per week, where there is also the opportunity to attract more non-first year students from the private rented sector. 66% of Unite beds in provincial markets are priced below £150 per week.

Current UK inflation implies a slight reduction in rental growth from multi-year nomination agreements with fixed or inflation-linked annual rental increases for 2020/21 to around 3%. However, we remain confident in delivering rental growth across the portfolio of 3.0–3.5% for 2020/21 through further utilisation enhancements and value-driven price increases.

### Sources of demand and supply




Source: Unite, JLL, HESA

## Increasing focus on value-for-money

The Augar Report also underlines that Universities retain a responsibility for delivering value-for-money to students, which includes University accommodation, and recommends that the Office for Students should examine the cost of student accommodation more closely to improve the quality and consistency of data. A recent survey of 60,000 students by Knight Frank and UCAS underlined that value-for-money is the most important factor influencing students' decisions on where to live. Accommodation choice is not entirely driven by cost, with students willing to pay a premium for certain features and amenities.

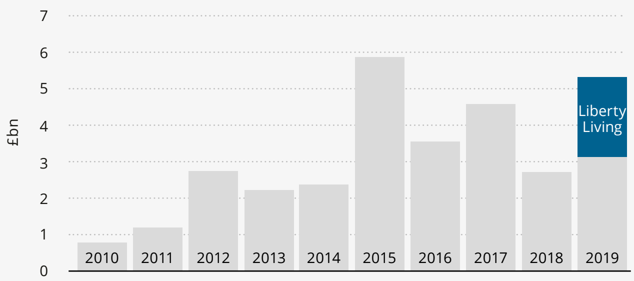
We will continue to offer a range of price points to meet the needs of different customers and demonstrate the value-for-money that living with Unite offers by delivering the services that students and our University partners' value. These include: all-inclusive bills and high-speed Wi-Fi; hassle-free administration; committed and highly trained staff on hand when they're needed; a range of proprietary digital platforms; rapid response maintenance; and 24/7 emergency support.

## Market overview continued

Adjusting for all-inclusive bills in Unite properties and shorter average tenancy lengths than HMOs, the cost of our accommodation is around 8% more expensive than the private-rented sector in our provincial markets. This equates to £10 more per week for the additional service and product features we provide. This includes the quality of our locations, communal study spaces, ensuite bathrooms and hassle-free offer, which can positively impact wellbeing and allows students to focus on what is important. We are confident in the value-for-money our service provides to students.

The Augar Report recognised the improvement in quality of student accommodation over the past 20 years, through a growing proportion of ensuite and studio rooms and improved amenity space. The average weekly cost of a new PBSA bed space delivered in 2019/20 was £149, according to Cushman & Wakefield, which when adjusted for inflation is just over £1 higher in real terms compared to 2016. Cushman & Wakefield analysis suggests that the overall quality of new beds delivered in 2019 was 6% higher than 2018 deliveries when adjusting for features such as bed size, storage space, natural light and common space.

### Capital traded in UK student accommodation sector




Source: CBRE

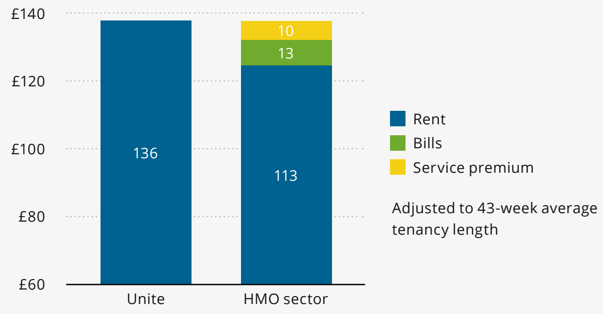
### Strong investment appetite

The PBSA continues to perform well. Strong fundamentals and a track record of consistent rental growth continue to attract significant volumes of capital, despite a reduction in investment volumes in the wider UK real estate sector due to political uncertainties. Approximately £3.1 billion of assets traded in 2019 (CBRE), excluding our acquisition of Liberty Living's £2.2 billion UK portfolio. This is lower than the high levels seen over recent years, due to less stock coming to market following a period of consolidation by larger operators and Brexit-related uncertainty.

There is still a strong appetite to deploy capital in the sector, with investment demand principally coming from international or institutional investors. As the sector has matured, investors have become more focused regarding strength of location, the health of local Universities, building amenities and fire safety. We also see a focus on operating platforms and scale, which continues to drive the consolidation of the sector in the UK. New entrants to the PBSA market and institutional investors generally lack management or development platforms.

Hence, a number of recent transactions have been structured as sale and management agreements, incorporating a mix of operational and pipeline assets.

### Average weekly accommodation cost (UK excl. London)




Source: Unite, Rightmove, Save the Student

### Yields remain well supported

Yields in the sector have slightly reduced over the past year, reflecting investor demand and the attractive income characteristics of the sector. However, we have witnessed a growing divergence in pricing between prime and secondary markets. Prime London assets have seen further yield compression, with transaction evidence setting a new benchmark yield of sub-4% in zone 1 locations in London. In addition, there remains significant investor focus on prime provincial markets such as Edinburgh, Bath, Bristol, Oxford and Manchester where student demand remains strong and there are most competing uses for land.

Demand for secondary and tertiary assets has reduced, resulting in yields in some provincial markets drifting higher. This reflects a weakening demand-supply balance in some cities aligned to lower-ranked Universities. However, we consider income performance and asset pricing to be well supported in good-quality secondary markets, particularly for affordably priced properties which remain fully let and have greatest potential to attract students from the private rented sector.

Looking forward, we see yields remaining broadly stable in 2020, albeit with continuing polarisation between prime and secondary markets in a competitive market for student numbers.

An indicative spread of direct-let yields by location is outlined below:

| | 31 Dec 2019 | 31 Dec 2018 |
|---|---|---|
| London | **3.75–4.25%** | 4.0–4.50% |
| Prime provincial | **4.5–5.0%** | 4.5–5.0% |
| Major provincial | **5.25–5.75%** | 5.25–5.75% |
| Provincial | **6.25–6.75%** | 6.0–6.5% |

## New supply reliant on corporate PBSA providers

The PBSA sector now provides homes to over 650,000 students, representing around one-third of the UK's student population. At this level, there still remains a 243,000 shortfall in beds compared to the numbers of first-year and international students, before taking account of the increasing numbers of second and third-year students who are choosing this type of accommodation.

2019 saw the delivery of an additional 32,000 beds across 40 different UK markets, of which 73% was delivered in the 27 cities in which Unite operates. Some provincial markets saw high concentrations of new completions in the year, including Sheffield, Liverpool and Newcastle, which has depressed rental growth and occupancy as new supply is absorbed. Studios accounted for around a third of the new deliveries, consistent with recent years, leading to an over-supply of more expensive product in some cities.

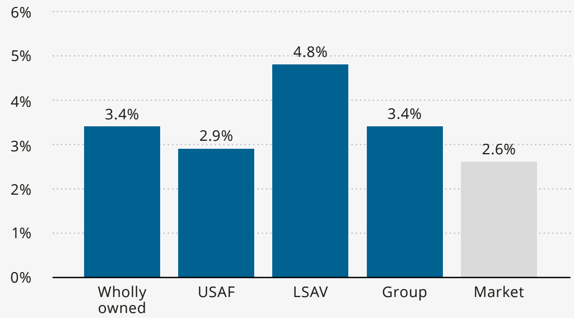
Around 7,000 beds left the market in 2019 driven by obsolescence, resulting from the delivery of new product. Closures have been concentrated in ageing University-owned stock, 50% of which is now over 20 years' old (Cushman & Wakefield). The majority of new deliveries now offer large common spaces and Cushman & Wakefield reports that 95% of all new beds delivered in 2019 offer a three-quarter double bed or larger.

The corporate PBSA sector accounted for 87% of the beds delivered for the 2019/20 academic year, the highest proportion of new beds on record according to Cushman & Wakefield, underlining the corporate sector's importance in helping to meet the growing need for student accommodation.

A number of new openings for 2019 were impacted by late delivery, meaning that affected students were required to find temporary accommodation for the start of their courses. All of Unite's new openings were delivered on time for the 2019/20 academic year, continuing our long-term track record in the sector. We work closely with our University partners and supply chain to ensure our new developments deliver the student experience expected by our customers. This is recognised in our success in securing nomination agreements on around 65% of new beds delivered by the business in the past five years.

We expect new supply will moderate to around 25,000 beds in 2020 and reduce further thereafter as certain larger provincial markets adjust to recent new supply and planning policy becomes more restrictive towards PBSA. The new London Plan requires new student accommodation to secure a nomination agreement with one or more Higher Education providers as well as the provision of at least 35% of units at affordable student rents. Moreover, local authorities are increasingly keen to promote new supply in the Build-to-Rent (BTR) sector, which is creating increased competition for development sites in major UK cities. We are also witnessing a growing trend for mixed-use planning consents, incorporating BTR residential homes and co-living alongside student accommodation. The combination of these factors increases barriers to entry for new PBSA supply, but plays to the strengths of our long-held University relationships and highly experienced development team.

### 2019/20 rental growth (Unite vs market)




Source: Unite (Like-for-like properties excluding Liberty Living), Cushman & Wakefield

## Development costs relatively stable

Activity in the UK construction sector remains in modest decline, with new orders declining in the second half of 2019. However, optimism has rebounded following greater clarity around Brexit and the election result, which has the potential to increase order books through 2020. Lower activity has seen input cost inflation ease; however, this has been offset by pressures on labour costs, reflecting structural shortages in some skilled trades. Overall, we anticipate build cost inflation of 1.5–2% in 2020 and 2–3% in 2021.

Land prices have remained relatively stable in regional markets despite improvements in PBSA valuations. This reflects some caution on the part of developers given heightened levels of recent political uncertainty. Land price inflation has been particularly muted for larger sites capable of delivering greater than 500 beds, which remain the target for our land purchasing. In London, land values have softened over the past year as a result of depressed activity in both the office and built-for-sale residential sectors. This has improved the viability of student accommodation in zones 1 and 2 in central London, where we once again see opportunities to acquire sites which meet our hurdle rates for development. The depth and duration of this opportunity is uncertain given improving sentiment and transaction levels in other sectors following the General Election, which may create more competition for development sites.

66%
of Unite's provincial beds priced below £150 per week

## Our business model

# Our Home for Success, delivering for our students and University partners, our employees and our investors.

### Our core principles

Focus on UK student accommodation

Alignment to the strongest Universities

Affordable price points, focused on shared living

High-quality, well-located, purpose-built homes

Disciplined capital management, new capital to pursue growth opportunities

Acting responsibly and sustainably

### How we create value

Best-in-class operating platform

Unrivalled scale and efficiency

74,000 beds

1,900
committed people

56%
of beds under nomination agreements

Unique insights and expertise

Strategic partnerships with

45 Universities

### What we do

**OPERATE**

We operate and manage 74,000 beds across the UK. Our scale and PRISM operating platform allows us to deliver the best customer service and efficiencies.

**INVEST**

We seek to continuously enhance our portfolio through acquisition, refurbishment and disposal activity, to ensure we have the best buildings and remain aligned to the strongest Universities.

Our development activity delivers new beds in supply-constrained markets.

**PARTNER**

We partner with Universities to deliver their long-term accommodation strategies, helping them to attract and retain students while delivering exceptional student experience.

Our Higher Education Engagement Team work closely with Universities to identify new opportunities for University Partnerships.

## What we deliver

### Our students

A home that is safe and secure with support when it's needed

**85**
Customer Satisfaction Score


### Our Universities

A trusted partner, helping to attract and retain students

**82**
Higher Education Trust Score

### Our people

Diverse and engaged teams

**78%**
Employee Engagement Score

### Our investors

Superior total returns through recurring income and capital growth

**24%**
Compound annual dividend growth since 2014

## Stakeholder engagement

Below are our key stakeholder groups and how we engage with them. We approach each group with a tailored response to their needs, ensuring we can continue to provide a Home for Success, in a safe and secure manner that is mutually beneficial to our stakeholders whilst contributing positively to our local communities and achieving long-term sustainable returns for our investors.

| | Why we engage | How we engage |
|---|---|---|
| **Our Students**<br> | With almost 30 years of experience, and deep insight and research programmes, we are experts when it comes to understanding students' evolving needs. This unique standpoint helps us to ensure our students get the most out of their University experience and differentiates us by delivering a better Home for Success. | Our purpose of creating a Home for Success influences all areas of our student engagement. This includes helping students to prepare for University life through our Leapskills programme and, once they move in with us, providing peer-to-peer support through our Student Ambassadors and other useful advice through digital services accessible through the MyUnite app.<br><br>As well as satisfaction surveys of our own students, we run bespoke annual research programmes to gain insights into the expectations, needs and priorities of the wider student population. We also ask students what they want from their accommodation, using their views to shape our new building designs. We also work with the NUS to encourage environmentally friendly living habits by our customers through our Positive Impact scheme. |
| **Our Universities**<br> | We aim to be not just a supplier but a strategic partner to the strongest Universities. We invest in understanding individual institutions' long-term aspirations, accommodation requirements and service expectations. This means our offer is built around the priorities of students and Universities alike. | We maintain regular contact with our partner Universities at multiple levels. Our local management teams work closely with University accommodation offices, student services and sustainability teams to ensure we fully meet their requirements on a day-to-day basis. A dedicated Higher Education Engagement team is in regular contact with Vice Chancellors and their leadership teams to ensure we fully understand their long-term ambitions and strategy.<br><br>Our deep research programmes help us create sector leading materials to communicate what students want to the HE sector as a whole. Our latest student research, titled 'The New Realists', investigating how student expectations of University life match the reality, whilst also looking at who the student of 2019 really is.<br><br>We also involve Universities in the design of our new developments to ensure we deliver a product that best meets the needs of their students.<br><br>The Unite Foundation works in partnership with 27 Universities to provide support to students from challenging backgrounds and help more young people access Higher Education. |
| **Our People**<br> | We are driven by our values and have a strong internal culture which helps create diverse and engaged teams. With our people being the heart of our business, we want to make sure they have a platform from which to succeed, creating a Home for Success and encouraging innovation. | We conduct feedback surveys four times a year to keep our finger on the pulse of our business. These surveys are completely anonymous and encourage honest sharing. Our regular business updates and feedback sessions also give our people a chance to voice their ideas, and line managers are empowered to free up information flow.<br><br>Employee panels, reverse mentoring and 'open chairs' at our Operations Board, provide further opportunities for our people to engage with our purpose, strategy and business plans.<br><br>We report quarterly to the Board on the feedback from the employee panel and two Non-Executive Directors attend the sessions twice per year. Action plans are developed to address issues raised by our people and report back on new proposals.<br><br>We employee second- and third-year students on the National/London Living Wage to act as peer-to-peer support for new students as they settle in to their new home, and also throughout critical stages of the student journey through University life. |
| **Our Investors**<br> | Our investors and funders are a key source of our efficient capital that allows our business to invest and grow. We want our investors to be clear on what we are doing, how we do it, and where we are headed. We also address the key risks facing our business and how we will seek to mitigate their impact. | We aim to produce balanced and transparent reporting and communications that allow our investors to best understand our business and strategy, key risks and how we deliver long-term shareholder value.<br><br>We conduct around 150 to 200 investor meetings throughout the year through roadshows, conferences, property tours and other ad hoc meetings. Last year we also held our first dedicated investor roadshow on sustainability.<br><br>In addition, we hold regular Capital Markets Days to provide a more detailed update on our strategy and the future outlook for our markets. |

| How we measure | Stakeholder outcomes | |
|---|---|---|
| We measure student outcomes through our independently verified customer satisfaction and Net Promoter Scores, which are benchmarked against our PBSA and service sector peers.<br><br>Our bespoke research is reported publicly to aid the development of our sector as a whole and inform how we continue our research going forward to track trends.<br><br>Our social impact is measured through the NUS' annual Positive Impact Awards. We also measure the volume of student interaction with our people and through our digital platforms to ensure we are delivering the most relevant support. | +19<br>**Net Promoter Score**<br><br>85<br>**Customer Satisfaction Score** | The results of our findings inform how we operate so we can continually match our product and service to the changing needs of our students. We listen to our students to give them the student lifestyle and study environment they want. |
| We monitor the quality and income visibility provided by our long-term nomination agreements. We also maintain a pipeline of opportunities for new University partnerships, from which we seek to convert one or two new deals each year.<br><br>A RedBrick Research University Trust survey is conducted annually to measure our reputation in the Higher Education sector.<br><br>The Unite Foundation will provide financial support to 189 students for the 2019/20 academic year, in partnership with 27 Universities. | 82<br>**Higher Education Trust Score**<br><br>56%<br>**of beds under nomination agreements** | By understanding Universities' long-term requirements and working closely together on a day-to-day basis, we help them deliver value-for-money and an exceptional experience for their students. This is measured through Universities' own student satisfaction scores, student wellbeing and retention. In this way, we deliver a key part of their offer to potential applicants. |
| The results of our people surveys are independently processed for analysis by our leaders, with common trends being discussed, helping us to inform our business decisions.<br><br>We verify our commitment to our people through external accreditations including the Investors in People Gold standard and our status as a Real Living Wage employer.<br><br>We analyse the diversity of our teams and Board as well as the make-up of shortlists for leadership roles. We also measure take-up of employee benefits to assess their success and relevance. | 78%<br>**Employee Engagement Score**<br><br>**Investors in People Gold award** | All our people have a voice that gets heard in an open and trusting forum. This helps us improve our product and services and allows space for true innovation and fresh thinking.<br><br>In 2019, we made a number of decisions following feedback from our people, including an enhancement to Shared Parental Leave, introduction of a revised approach to employee communications including a new employee hub and app, as well as the roll-out of our 'back to the floor' and reverse mentoring programmes for all senior operational leaders. |
| Investor feedback gives us critical information about how we operate as a business. We allow investors to feed back to us at regular intervals.<br><br>We monitor our performance against market expectations for key financial and non-financial indicators. In addition, we benchmark ourselves against peers to understand our market relative performance. | 60%<br>**Total shareholder return in 2019**<br><br>24%<br>**Compound Annual Dividend Growth over five years** | With our investors having a deep understanding of our business and strategy, we have a stable foundation to grow. This dialogue also helps to ensure an alignment of interests with our investors. |

## Directors' duties and Section 172 Statement

The Directors are well aware of their duties to act in accordance with the Companies Act. These include a fundamental duty to promote the success of the Company for the benefit of its members as a whole. This duty is central to the Board's decision-making processes and outcomes.

**In performing their duties during 2019, the Directors have had regard to the matters set out in Section 172(1) of the Act:**

*(a) the likely consequences of any decision in the long-term*

*(b) the interests of the Company's employees*

*(c) the need to foster the Company's business relationships with suppliers, customers and others*

**More specifically, during 2019 this has included:**

### Considering the long-term consequences of any decision

The Board delegates day-to-day management and decision making to its senior management team, but maintains oversight of the Company's performance, and reserves to itself specific matters for approval, including significant new strategic initiatives and major decisions relating to capital raising and allocation. Through regular updates from senior management and measurement against long-term objectives, the Board monitors that management is acting in accordance with its agreed strategy and the long-term interests of key stakeholders.

As an example, throughout 2019 the Board gave extensive consideration to the impact of the acquisition of Liberty Living on the Group's key stakeholders. This involved an appraisal of the financial effects of the acquisition, the operational risks involved in its integration, optimal financing arrangements and regulatory risk arising relating to the Competition and Markets Authority. In addition, the Board considered the impact of the acquisition on the Group's employees, customers, University partners and suppliers as well as the potential consequences for existing shareholders.

During the year, the Board approved £298 million of disposals in order to help mitigate the increase in LTV resulting from the Liberty Living acquisition and ensure adequate capital remains available to fund the secured pipeline and pursue new growth opportunities.

### Looking after the interests of employees

The Board recognises that creating diverse and engaged teams is critical to the business's ongoing success. The Board has designated one of its Non-Executive Directors (Elizabeth McMeikan, the Senior Independent Director and Chair of the Remuneration Committee) to help ensure the views and concerns of the workforce are brought to the Board and taken into account.

The Board continues to encourage improvements in systems, processes and benefits which impact the health, safety and wellbeing of our employees. Feedback from the Employee Panel is provided to the Board on a quarterly basis by the Chief Customer Officer. In addition, to enhance engagement by the Board, two Non-Executive Directors will attend the Employee Panel twice per year going forwards to listen directly to employees and report independently to the Board.

Listening to employee feedback, during 2019 the Board discussed the benefits of a number of proposals in relation to employees. This resulted in the following:

- enhanced pension entitlements
- enhanced shared parental leave

*(d) the impact of the Company's operations on the community and environment*

*(e) the desirability of the Company maintaining a reputation for high standards of business conduct*

*(f) the need to act fairly as between members of the Company*

- the extension of our diversity and inclusivity initiatives, including the launch of our LGBT network building on the work of the Diversity in Action Group established in 2017 to better understand and improve diversity and inclusion across the Group
- a revised approach to employee communications including a new employee hub, employee app and improved communication platforms/channels
- implementing a 'back to the floor' programme for all senior operational leaders; and
- introducing reverse mentoring for all senior operational leaders

An annual talent review is conducted by the Board, alongside the development and executive succession planning activities undertaken by the Nomination Committee, with the aim of identifying, nurturing and retaining high-performing employees. In 2019, the Board considered the integration of Liberty Living employees into the wider Group and tasked senior management with identifying and retaining talented employees to ensure the acquisition delivers the best of both businesses.

### Fostering business relationships with suppliers, customers and others

The business interacts with a variety of external stakeholders, including students, parents, Universities as well as the Government and the Office for Students, as regulator to the UK Higher Education sector.

During the year, the Board reviewed customer satisfaction surveys from both students and Universities to understand how business decisions impact on our customers. This included a review of University Partnership activity, provided by the Higher Education Engagement team. Specifically, this supported the decisions to proceed with development spend at Middlesex Street in London, the agreement of a 30-year nomination agreement with the University of Leeds at White Rose View and a city-wide nomination agreement with the University of Bristol.

Directors meet with University VC's and other senior leaders within Universities to hear directly from them as to how we are performing, what we can do better and also to hear about developments in the HE sector more broadly. Specifically, following completion of the Liberty Living acquisition, Directors met with Liberty Living University partners as part of our overall engagement programme.

## Directors' duties and Section 172 Statement continued

The Board receives the results of our regular customer engagement surveys, which during 2019 resulted in the following key actions:

- Student Ambassador programme to be rolled out across all properties
- the relaunch of Service Style (our service programme which helps ensure a high-quality and consistent service delivery, nationwide)
- review of Maintenance SLAs so they are customer focused
- introduction of more regular surveys including transactional surveys with a specific focus on maintenance; and
- more detailed City analysis to support our City Team action plans going into 2020

The Board is cognisant of the focus given to value-for-money as part of the review of Higher Education funding, including the contribution made by accommodation. As a result, the Board remains supportive of the Company's strategy of offering a broad range of price points and tenancy lengths to cater to different customers. The acquisition of Liberty Living was also considered beneficial, in widening the range of accommodation at lower price points in certain cities.

The Board considered risks to the Group's operational and development supply chain arising from Brexit, as well as the potential for increases in construction costs resulting from higher inflation and labour shortages. As a consequence, the Board delegated responsibility to the Executive team to fix construction costs and bring forward purchases of key components to mitigate the risk of a disorderly exit from the European Union.

### Maintaining a reputation for high standards of business conduct

The Board recognises the importance of the business's reputation with its University partners, students and parents, Government and communities in seeking to promote the long-term success of the business. This covers the standards of the business's product and services, as measured by annual surveys of customer satisfaction and University Trust, which are communicated to the Board by senior management.

The Board also monitors the Company's activities with regards to student welfare and wellbeing, which forms part of the Company's responsible business strategy and our 'Home for Success' purpose. This had led to the Board supporting the launch of our new Insight report: 'The New Realists', highlighting our focus on understanding and meeting the needs of students, at the Universities UK conference in September 2019 and widely attended by VCs and senior leaders within Universities. This was followed with a Board Director hosting a series of roundtable discussions with University partners across England and Scotland.

In addition, the Board has supported the launch by the British Property Federation of The Good Practice Guide on Student Wellbeing in private PBSA in July this year. Further, the Board has supported the Company's Leapskills programme, our resilience workshop designed to support sixth formers and better prepare them for the leap to University. The Board's investment in this important initiative was acknowledged by the Department for Education who publicly endorsed the launch of our Leapskills platform in July 2019.

The Board regularly reviews our Group Health & Safety policy and procedures with particular focus given to fire safety to ensure our properties comply with emerging regulations following the tragic events at Grenfell Tower. The Board was fully supportive of the removal of ACM cladding from our buildings in line with Government advice. In addition, the Board has requested a full review of HPL cladding across the estate which has led to the identification of 19 affected buildings. The Board fully supports the decision of senior management to undertake work on all affected buildings over the next 12–24 months.

### Acting fairly for all shareholders

The Board recognises that acting fairly in the interests of all shareholders improves the Company's governance procedures as well as increasing investors' confidence in the transparency and accountability of the business. Considering the views of all shareholders helps the Board to clarify and prioritise the Company's long-term objectives and ensure senior management remain aligned with these goals.

The Board received feedback from research analysts in advance of full year and interim results, to help address potential investor questions in our financial reporting. In addition, the Board reviewed feedback from investors and analysts following the full year and interim results to identify potential risks and consider business activity to address these issues.

During 2019, the Board gave significant consideration to the impact on shareholders of the share placing and acquisition of Liberty Living. In order to determine that the acquisition was in the best interests of all shareholders, the Board considered the expected accretion to earnings, NAV and total accounting returns resulting from the transaction, the risks associated with integration and delivering cost synergies, as well as the impact on the Group's long-term financial stability. The Board ensured informal pre-emption to existing shareholders for the July 2019 share placing which part funded the Liberty Living acquisition. The Board also reviewed the relationship agreement with CPPIB in relation to the proposed 20% shareholding they would hold in the enlarged Group following the acquisition.

During the year, the Board has reviewed matters such as the size of dividend payments, results announcements and resolutions for the AGM. In addition, the Board continues to monitor risks and opportunities to its business operations, which could have a material impact on the Company's sustainability, reputation with and perception by investors.

### Considering the business's environmental impact

Unite's Up to Us responsible business programme includes a commitment to reducing environmental impact to ensure the long-term sustainability of the Company. The Board recognises the risks associated with environmental impact and climate change and monitors the Group's performance against regulatory requirements as well as benchmarking its performance based on external ESG ratings.

Following an ESG roadshow with major investors in 2019, the Board supported the decision of senior management to review the Group's existing sustainable and responsible business strategy with a view to establishing new targets for the Group during 2020.

### Our impact on our communities

Contributing to our local communities is a responsibility and an opportunity for Unite. The Board recognises we are a large employer in the cities in which we operate and provide essential accommodation in support of Universities.

The Board supports the Company's objective of delivering positive impact in the communities in which it operates, by helping to improve access to Higher Education and outcomes for students. As a result, the Board remains supportive of the Company's financial support for the Unite Foundation and other charities, as well as initiatives such as Placer which provide employment opportunities to students.

The Group's development activity also forms an important part of its long-term commitment to an area, by delivering new high-quality affordable homes, s106 contributions and new employment opportunities. In 2019, the Board continued to support these activities with the approval of a construction start at Middlesex Street in London and commitment to a new development site in Nottingham.

## Our strategy at a glance

# Our strategy is to build and operate the UK's leading portfolio of student accommodation, designed specifically for students, in the right locations with services that our students and University partners value.

**Strategic pillars**

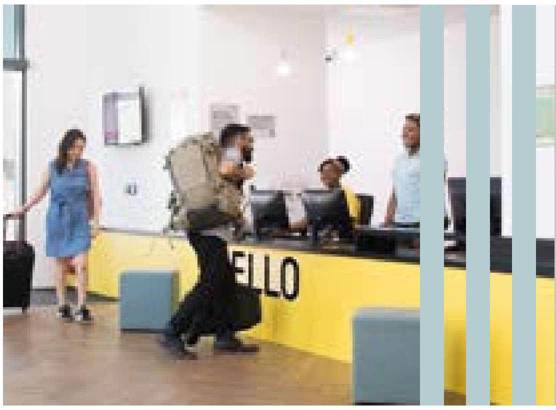
**Current strategic focus**

### Quality properties
01

- Portfolio optimisation through development, disposal, acquisition and lifecycle investments to ensure we have the right properties in the right locations, aligned with the strongest Universities
- Ensuring our buildings are safe and secure for our customers and people, and are increasingly environmentally sustainable

### Quality service platform
02

- Maintain high occupancy rates
- Deliver sustainable value-driven rental growth
- Deliver ongoing efficiency improvements though our proprietary operating platform
- Continue to research the needs of today's students to enhance the service we provide



### Quality University partnerships
03

- Strengthen our partnerships with Universities
- Grow the proportion of Unite beds aligned to high- and mid-ranked Universities
- Continue to increase the quality of nomination agreements
- Pursue new opportunities for University partnerships across existing and new beds

**£1.4bn**
Acquisition of Liberty Living

**98%**
Occupancy rate across our portfolio

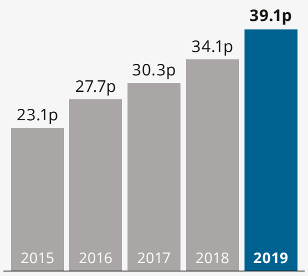
**88%**
Beds now aligned to high- and mid-ranked Universities

| 2019 in review | Objectives for 2020 | Links to performance |
|---|---|---|
| • Acquired Liberty Living for £1.4bn<br>• 2,390 new beds opened for 2019/20, with approximately 70% of beds secured under nomination agreements<br>• Disposed of £249 million of assets (Unite Share) to manage leverage and fund new development activity | • Continue to increase the quality of our portfolio through targeted acquisitions and the disposal of £150–200 million of assets<br>• Enhance alignment of our portfolio to high- and mid-ranked Universities, in cities in which we already have a presence in order to drive efficiencies<br>• Secure new sites for development pipeline<br>• Establish new carbon targets for the combined business | • Earnings Per Share<br>• Total accounting return<br>• NAV per share<br>• Higher Education Trust score<br>• Customer Satisfaction score<br>• Like-for-like rental growth<br>Read more about our **Quality properties on page 62** |
| • Achieved occupancy rate of 98% and 3.4% rental growth<br>• Delivered further improvements in our EBIT margin<br>• Progress on integration has accelerated cost synergies from Liberty Living | • Maintain full occupancy and rental growth of 3.0–3.5%<br>• Successfully integrate Liberty Living onto the Unite operating platform<br>• Secure the £15 million of annual cost synergies targeted from the Liberty Living acquisition | • Earnings Per Share<br>• EBIT margin<br>• Customer Satisfaction score<br>• Employee Engagement score<br>• Safety<br>Read more about our **Quality service platform on page 56** |
| • 88% of beds now aligned to high- and mid-ranked Universities<br>• Two new University partnership deals with University of Bristol and University of Leeds<br>• Liberty Living acquisition brings new relationships with Russell Group Universities | • Pursue additional University partnership schemes to deliver further growth and long-term security of income<br>• Increase beds under long-term nomination agreements<br>• Improve Higher Education Trust score | • Earnings Per Share<br>• Total accounting return<br>• WAULT of nomination agreements<br>• % alignment to high- and mid-ranked Universities<br>• Higher Education Trust score<br>Read more about our **Quality University partnerships on page 23** |

## Key performance indicators

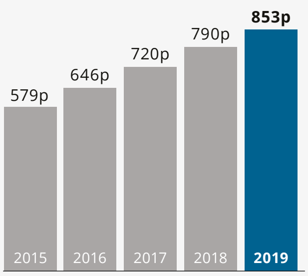
# 2019 saw a strong year of operational performance, delivering across all of our key metrics.

## Financial KPIs



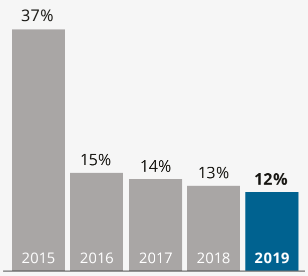

**EPRA Earnings per share*** (p)

39.1p



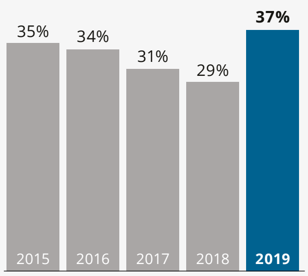

**EPRA NAV per share*** (p)

853p




**Total accounting return*** (%)

12%




**Loan-to-value ratio*** (%)

37%

### EPRA Earnings per share

**Measure**

Our EPRA measure of profit per share reflects the level of income delivered by operating activities.

**Comment**

Growth in earnings has been driven by like-for-like rental growth, improvements in EBIT margin and the delivery of new beds through our development pipeline.

Sustained growth in our earnings is made possible by the quality of our value-for-money product, our highly committed people and our positive and growing reputation with students and Universities.

**Target**

Deliver meaningful and sustainable growth in EPS by maintaining high occupancy, rental growth, improving operating margins and delivering the development pipeline.

**Alignment to strategy**

### EPRA NAV per share

**Measure**

Our EPRA NAV per share measures the market value of rental properties and developments less any debt used to fund them plus any working capital in the business.

**Comment**

NAV growth has principally been driven by rental growth and development profits, as well as a contribution from yield compression and new shares issued at a premium to NAV.

Our sustained growth in NAV reflects the strength of fundamentals in the student accommodation sector, our development expertise and our strategic focus on operating quality properties.

**Target**

To deliver growth in NAV through a combination of rental growth and development profits.

**Alignment to strategy**

### Total accounting return

**Measure**

The total accounting return to shareholders is the ratio of growth in EPRA NAV per share plus dividends paid as a percentage of opening EPRA NAV per share.

**Comment**

Our total accounting return in 2019 was delivered through a growing component of recurring earnings together with NAV growth through rental growth, development profits and yield compression.

Maintaining a strong total return from our portfolio is a result of our focus on growing recurring earnings, improving the quality of our portfolio and our ability to add value through our development activities.

**Target**

To deliver attractive total returns, through a balance of recurring income and capital growth.

**Alignment to strategy**

### Loan-to-value ratio

**Measure**

Our ratio of net debt to property values.

**Comment**

LTV rose during the year, principally due to our acquisition of Liberty Living. We continue to target a medium-term LTV of 35%, which we intend to reach through rental growth and planned disposals of £150–200 million p.a.

**Target**

To maintain LTV around the 35% level.

**Alignment to strategy**

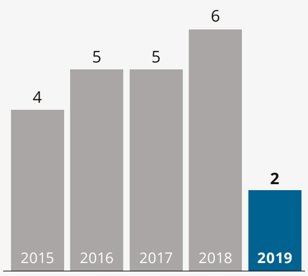
* Results are based on the European Public Real Estate Association Performance measures. Reconciliations to IFRS measures are disclosed in note 2.2b and 2.3c.

Read more about **Remuneration on page 119**

### Strategic alignment key

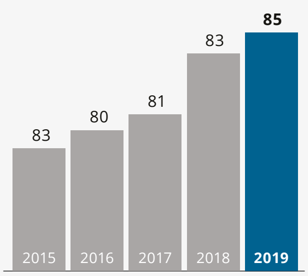
- Quality properties
- Quality service platform
- Quality University partnerships
- Quality people

## Operational KPIs



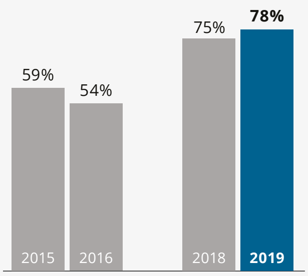

**Safety** (Number of accidents)

2



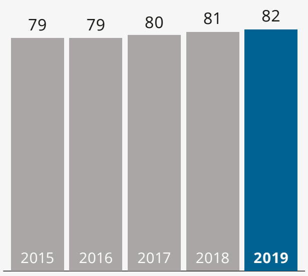

**Customer satisfaction**

85




**Employee Engagement** (%)

78%




**Higher Education trust**

82

### Safety

**Measure**

The number of reportable accidents in our operations each year as a means of assessing our success in approaching health and safety.

**Comment**

Our Accident Incident Management System (AIMS) has provided us with greater visibility of our incident reporting, enabling us to implement new ways of working that have improved efficiency. Keeping our people and students safe and secure is our top priority and supports our strategic priority to offer quality service. We also achieved a Five-star Occupational Health and Safety audit rating from the British Safety Council.

**Target**

We strive to reduce the number of reportable incidents year-on-year and maintain or improve our BSC Safety rating.

**Alignment to strategy**

### Customer satisfaction

**Measure**

We undertake an independent survey twice a year to understand our relationship with our customers, the experience we provide and their likelihood to rebook and recommend Unite.

**Comment**

This year we have achieved a record customer satisfaction score. We are committed to drive further improvement through the delivery of our brand promises and our commitment to Home for Success across our entire operating platform.

Having changed survey provider for 2020, analysis of customer satisfaction will focus on Net Promoter Score, which will enhance comparability to sector and wider service sector companies.

**Target**

We aim to reach the top 10% of benchmarked companies within the next three years.

**Alignment to strategy**

### Employee Engagement

**Measure**

We undertake independent, anonymous surveys among our employees to gain regular and insightful feedback on who we are as a company and how we can continue to improve.

**Comment**

This year we achieved another engagement record which represents a positive result compared to external benchmarking. We will focus on improving this score further in 2020 while we go through our integration process with Liberty Living.

**Target**

We strive to improve our score year-on-year, including through our integration period with Liberty Living.

**Alignment to strategy**

### Higher Education trust

**Measure**

Annual qualitative research among Higher Education partners by RedBrick Research to understand their perception of Unite and the degree to which we meet their needs.

**Comment**

Understanding what our Higher Education partners need from us, both as institutions and for their students, is vital to designing and delivering our market-leading service proposition. This year we have achieved a further increase in our score, reflecting our ongoing commitment to our University partners.

**Target**

We aim to reach the mid-80-point level within the next three years whilst welcoming our new University partners through our acquisition of Liberty Living.

**Alignment to strategy**

# Risk management

*"A flexible risk management framework to manage competing priorities."*

**Chris Szpojnarowicz**
Company Secretary and Group Legal Director

## Our risk management framework

During 2019, our risk management framework was tested with the competing priorities of the transformational Liberty Living acquisition and the ongoing safe delivery of our underlying operations and financial performance.

The Board identified and then addressed the potential distraction risk arising from such a complex acquisition, ensuring these competing priorities were appropriately resourced with clear milestones and early warning signs identified.

Our risk management framework is designed to cope with such challenges and ensure there is appropriate insight, flexibility and resilience. This insight and flexibility was especially critical through 2019 as Brexit and wider political and economic uncertainty continued.

Our values are the foundation for our risk management framework and ultimately combine in our purpose to provide a Home for Success.

Our risk management framework and how we assess our principal risks, identify emerging risks and ultimately manage and mitigate risk are set out on the following pages.

1 **Board leads risk review**
Assessing our risk profile and our principal risks.

2 **Top-down review**
Identifying a wide range of strategic and emerging risks and opportunities.

3 **Bottom-up review**
Challenging risks identified by operational management and more technical risks such as information technology, security, continuity, GDPR, financing and treasury.

4 **Board searches externally for best practice**
Engaging with senior leaders in the Higher Education sector and technical experts on key issues such as fire safety.

### Output – five risk categories

Market risks (supply and demand)
Read more **on pages 47 to 49**

Operational risks
Read more **on pages 50 and 51**

Property/development risks
Read more **on pages 52 to 53**

ESG risks
Read more **on page 54**

Financial risks
Read more **on page 55**

The Group's principal risks mapped across these five risk categories, their impact on our strategic objectives and how we mitigate these risks are set out on pages 47 to 55.

## Key risk developments in 2019

| Risk profile category | What happened in 2019 | Unite risk activity |
|---|---|---|
| **Operational risks (safety)** | Continued Government, HE sector, wider stakeholder and media focus on fire safety, especially in high-rise residential buildings.<br><br>Dynamic fire regulatory environment following the Hackitt Review and Building Regulations change. Focus on cladding moves from Aluminium Composite Materials (ACM) to High-Pressure Laminates (HPL).<br><br>Regionalised our health, safety and security team, allowing closer and more 'on the ground' support for our Operations teams helping them deliver our safe and secure brand promise. | The British Safety Council conducted three comprehensive safety audits: an Occupational Health & Safety Audit, a Fire Safety Audit and a Construction Audit.<br><br>The Occupational Health & Safety Audit measures performance against a number of key safety management indicators, providing organisations with a worldwide benchmark of their safety management systems against current best practice to enable continual improvement. The Group achieved Five-stars (out of five) for this audit in 2019, which reflects significant improvement from our last audit 18 months ago when awarded a Four-star rating.<br><br>Fire safety management – improved our policies and procedures, risk assessments, training and fire records. Implemented Fire Risk Management Framework BS 9997.<br><br>Continued working closely with Department for Communities and Local Government (DCLG), local fire authorities and fire safety experts to ensure fire safety and address any remedial actions following Grenfell Tower learnings. Review of HPL across our estate.<br><br>Reviewed and updated our fire strategy decisions as well as our fire safety specifications for new builds and developments.<br><br>Maintenance regimes – improved testing and planned preventative maintenance.<br><br>Read more about **Safe and Secure on pages 22 and 23** |
| **Operational risks (Liberty Living acquisition/ integration)** | Intense focus on the Liberty Living acquisition, a complex and transformational opportunity, alongside delivering the Group's existing operational and financial performance.<br><br>Started work on Liberty Living integration. | On going risk and opportunity review that:<br><br>1. The Liberty Living acquisition is right for the Group and is negotiated on the best commercial terms;<br>2. The Group is able to still deliver its underlying operational and financial performance in parallel to delivering the Liberty Living acquisition; and<br>3. Liberty Living synergies and integration are delivered on time and to budget.<br><br>Read more about **Liberty Living acquisition on page 20** |
| **Market risks (supply increase)** | Pressure on direct-let rents in some mature markets following increasing new supply. | Active property recycling, with 88% of Unite's portfolio (after including the Liberty Living properties) aligned to high- and mid-ranked Universities.<br><br>98% occupancy in 2019/20, underpinned by 56% nomination agreements, with an average remaining life of six years providing income and rental growth certainty.<br><br>Read more about **University Partnerships on page 14 and our Property review on pages 62 to 66** |
| **Market risks (reduction in demand)** | Continuing Brexit and wider political and economic uncertainty. | Continued monitoring of political and HE sector developments. Tuition fee levels and access to the loan book for EU students guaranteed for 2019/20 and 2020/21. The ongoing quality of UK higher education continues to attract growing numbers of international students. EU and non-EU acceptances increased in 2019 which offset the current UK 18-year-old demographic reduction. Demographics for UK 18-year olds bottom out in 2020, before returning to strong growth from 2021. There is evidence of early strength of applications data and reservations for the 2020/21 academic year.<br><br>Implemented our Brexit Disruption Plan (which focuses on People, Procurement and Developments) recognising the inevitable disruption Brexit will bring.<br><br>Read more about **Market overview on page 26** |
| **Market risks (supply and demand)** | Customer expectations continue to increase. Value-for-money and affordability are ever more critical. | Record customer satisfaction and Higher Education Trust scores evidencing continued strong service delivery.<br><br>Continued the roll-out of our Student Ambassador programme and comprehensive Welcome programmes to ensure that students settle in quickly and feel safe and secure.<br><br>Read more about **Operations review on pages 56 to 61** |
| **ESG Risks** | Increasing focus on ESG risks as integral to longer-term sustainability. | Engagement with Investors and other stakeholders as we develop our ESG strategy.<br><br>Read more about **Up to uS, our ESG Strategy on pages 74 to 87** |

# Principal risks and uncertainties

## Our risk appetite

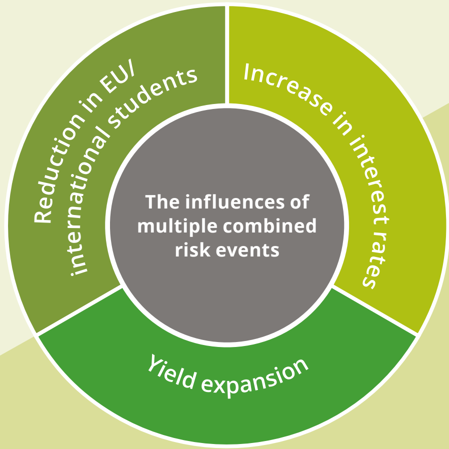
The Group's risk appetite is considered as a fundamental part of the Board's strategy setting and annual budget – it does not happen in isolation. Our risk appetite is underpinned by our principal financial aim to continue generating high-quality recurring earnings and maintaining a strong capital structure.

During the year, the Board reviewed our risk appetite in light of the developing key in-year and emerging risks. This considered both threats to – and opportunities in – our business flowing from the Liberty Living acquisition and integration as well as wider macro risk developments in the PBSA sector and the broader Higher Education sector, property market and economy.

### Stress testing our strategic planning

Each year, the Board develops and refreshes the Group's Strategic Plan. This is based on detailed three-year strategic/financial projections (with related scenario planning) and rolls forward for a further two years using more generic assumptions. The Board maps our strategic objectives against our risk profile. Then, always conscious that risk events do not necessarily happen in isolation, the Board stress tests these projections against multiple combined risk events. Through this process, a base case and stress-tested Strategic Plan are developed.

During 2019, consistent with prior years, this stress-tested scenario planning considered a material reduction in the number of European and international students, a material rise in long-term interest rates and yield expansion, together with a combination of all these events occurring at the same time.




| Strategic objective | Risk profile category | Principal risks |
|---|---|---|
| Quality properties | Property/ development | **Increasing competition and customer expectations** underline the need to constantly improve the quality of our portfolio – substantially enlarged by the Liberty Living acquisition, while navigating site selection, development/planning risks and building cost inflation as well as disposal risks. |
| Quality service platform | Market (supply and demand) Operational (Health and Safety) | The **health, safety, wellbeing and security** of the 74,000 students who make Unite Students their home as well as the 1,900 people who work for us is the foundation of our reputation and continued focus on Health & Safety is key to building and maintaining this trust.<br><br>**Affordability and value-for-money** are ever more critical in the increasingly competitive market place. Delivering a range of price points and service offerings along with value-for-money continues to be critical to our sustainable and longer-term success.<br><br>**In an increasingly competitive market with more demanding customers,** developing and retaining our talent is critical to ensure market leadership. |
| Quality University partnerships | Market (supply and demand) | With the increasing supply and maturing PBSA sector, enhancing strong and sustainable University relationships is increasingly important, including ones new to Unite from Liberty Living.<br><br>Delivering a value-for-money service aligned to the needs of students is critical to meet the requirements of our University partners. |

## Creating the right corporate culture for effective risk management

The Group's risk management framework is designed to identify the principal and emerging risks, ensure that risks are being appropriately monitored, controls are in place and required actions have clear ownership with requisite accountability.

The organisation has an open and accountable culture, led by a stable and experienced leadership team operating in the sector for a number of years. This culture is set by the Board in the way it conducts its Board and Committee meetings and cascades through the organisation enabling a suitable culture for risk management.

The culture of the organisation recognises – and accepts – that risk is inherent in business and encourages an open and proactive approach to risk management as opposed to a blame culture. By viewing our risks through the lens of our strategic objectives, the Group is able to ensure risk management is pro-active and pre-emptive and not a tick box exercise.

The Board has the overall responsibility for the governance of risks and ensures there are adequate and effective systems in place. It does this in various ways:

- Risks are considered by the Board as an intrinsic part of strategy setting and consideration of new opportunities – risk is recognised as an inherent part of each opportunity
- A twice yearly formal review by the Board of principal risks, how they are changing and considering any emerging risks
- Risk Committee reviews the principal and emerging risks that the Group is facing or should consider
- Specific risk management in dedicated Board sub-Committees allowing focus on specific risk areas (for example, the Audit Committee and Health and Safety Committee)
- Risk Committee scrutiny and challenge of management activity allowing a focused forum for risk identification and review
- Risk assurance through external and internal auditors as well as specialist third party risk assurance where appropriate (e.g. British Safety Council providing specialist independent health and safety assurance)

## Our risk management framework

### The Board

**Risks assessed as part of strategy setting and risk oversight**

Owned by the Board and its Committees

Twice yearly formal risk review and ongoing monitoring of risk integral to Board meetings

### Risk management

Owned by the Risk Committee and the Operations/Property Boards

Monthly risk tracker review at Operations/Property Boards

Risk Committee review and challenge of all risk trackers and related risk and opportunity activity

### Policies and controls

Underpinning risk management (such as Capital Operating Guidelines; Treasury Policy; Anti-Bribery Policy; Major Investment Approvals Committee and the internal controls framework)

### People and culture

**Embedded risk management culture**

Openness, transparency and clear ownership of risk management (through risk trackers) cascades through the organisation

### Composition of Risk Committee

**Richard Smith**
Chief Executive Officer

**Joe Lister**
Chief Financial Officer

**Nick Hayes**
Group Property Director

**John Blanshard**
Chief Customer Officer

**Chris Szpojnarowicz**
Company Secretary and Group Legal Director

## Principal risks and uncertainties continued

### Our Key Risk Indicators (KRIs)

| | |
|---|---|
| Quality properties | Gross Asset Value<br>Asset age<br>Occupancy<br>Rental Growth |
| Quality service platform | Safety<br>Customer satisfaction<br>Employee engagement |
| Quality University partnerships | Safety<br>Higher Education trust<br>Customer satisfaction<br>% Noms v. Direct Let |

### Robust assessment of principal risks

The Directors confirm that they have conducted a robust assessment of the principal and emerging risks facing the Group together with an assessment of the procedures to identify emerging risks. The process for how the Board determined these risks is explained above and these risks are set out on pages 47 to 55.

### Viability statement

The Directors have assessed the viability of the Group over a three year period to December 2022, taking account of the Group's current position and the potential impact of its principal risks. The Directors consider the three year lookout period to be the most appropriate as this aligns with the Group's own strategic planning period combined with the levels of planning certainty that can be derived from the development pipeline. Based on this assessment, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to December 2022.

As explained above, the Group has an annual business planning process, which comprises a Strategic Plan, a financial forecast for the current year and a financial projection for the forthcoming three years (which includes stress testing and scenario planning and also rolls forwards for another two years). This plan is reviewed each year by the Board as part of its strategy setting process. Once approved by the Board, the plan is cascaded down across the Group and provides a basis for setting all detailed financial budgets and strategic actions that are subsequently used by the Board to monitor performance. The forecast performance outlook is also used by the Remuneration Committee to establish the targets for both the annual and longer-term incentive schemes.

The financing risks of the Group are considered to have the greatest potential impact on the Group's financial viability. The two principal financing risks for the Group are:

- the Group's ability to arrange new debt/replace expiring debt facilities; and
- any adverse interest rate movements

The Group has secured funding for the committed future development pipeline, which includes the Unite and Liberty Living unsecured loan facilities, and prepares its Strategic Plan on a fully funded basis in line with the three year outlook period. Disposals are an important part of our strategy with the recycling of assets out of our portfolio generating capital to invest in development activity and other investment opportunities.

To hedge against the potential of adverse interest rate movements the Group manages its exposure with a combination of fixed rate facilities and using interest rate swaps for its floating rate debt. During the year the Group has complied with all covenant requirements attached to its financing facilities.

Read our **Financial review on page 68**

**Risks linked to strategy**

- Quality properties
- Quality service platform
- Quality University partnerships
- Quality people

## Market risks

### 1 Demand reduction: driven by Brexit uncertainty, Government HE/immigration policy or other macro events

Movement

| Possible events | Impact |
|---|---|
| • Brexit impacting numbers of EU students coming to study in the UK<br>• Changes in Government policy on Higher Education funding<br>• Immigration policy changes affecting international student numbers and behaviour<br>• Emerging risk that the Coronavirus outbreak becomes further widespread, impacting the ability of international students to travel to the UK | • Potential reduction in demand and hence profitability and asset values<br>• Departure from EU impacting EU research grants and EU students coming to the UK |

#### Risk management

- We continued to monitor and prepare for our key Brexit operational risks – People, Procurement and Development – through our Brexit Disruption Plan
- Against the background of continuing political uncertainty through 2019, we monitored Government HE and immigration policy and its impact on UK, EU and international student numbers studying in the UK
- Regularly reviewing our portfolio – especially conscious it is growing through the Liberty Living acquisition – to ensure we have the highest-quality portfolio, appropriately sized and in the right locations
- We continue to monitor the situation regarding the outbreak of Coronavirus. We are in contact with Public Health England and are closely following their guidance as well as that of the World Health Organisation. Contingency and mitigation plans are being prepared

#### Strategic objective

Link to strategy

- Offering great service is key to helping us address any reduction in demand. Ensuring we have high-quality properties aligned to Universities with a growing share of student demand mitigates demand reduction

Read more about **Our business model on page 30**

#### What happened in 2019

- Brexit alongside wider political uncertainty continued through 2019
- UK continued as second most popular international destination for students (after the US). Applications for international students are up 8% for the 2020/21 academic year
- The Government has become more supportive of growth in international students, setting a target to increase international students by a further 115,000 students (a 25% increase) by 2030 and extending post-study work visas to two years
- EU students funding arrangements for duration of study confirmed for 2020/2021
- The Higher Education Funding Review was published in May 2019 but uncertainty continues as to when any of its recommendations will be implemented
- Increased focus on quality and length of nomination agreements – 56% secured through nomination agreements with six years average maturity

Read more about **Market overview on page 26**

#### Risk mitigation in 2019

- Ongoing monitoring of our Brexit Disruption Plan and Government HE and immigration policy
- Through implementation of Home for Success – our core purpose to provide environments that help students achieve more during their time at University – we are seeing consistently high customer satisfaction and Higher Education trust scores

Read more about **Key performance indicators (KPIs) on pages 40 and 41**

#### Focus for 2020

- Ongoing monitoring of the impact of Brexit and Government policy against the background of a larger portfolio as we integrate Liberty Living
- Continued focus on portfolio management, using disposals to reduce exposure in higher risk markets

# Principal risks and uncertainties continued

## Market risks continued

### 2 Demand reduction: value-for-money/affordability

Movement

| Possible events | Impact |
|---|---|
| • Increasing focus on the cost of a University education – affordability and value-for-money<br>• Emerging risk of shorter/more semester-led courses and increasing home study<br>• Emerging risk of alternative course delivery for certain courses/markets (the extension of Massive Open Online Courses)<br>• Emerging risk of monitoring or regulation of the costs, rents, profitability and value-for-money of student accommodation<br>• Emerging risk of FE being promoted over HE | • More competition for value and reduced demand for year-round student accommodation in the longer-term resulting in lower profitability and asset values |

#### Risk management

Link to strategy

- Ensuring we deliver an affordable product which provides good value-for-money. Partnering with stronger Universities with properties in the best locations
- Support Universities in their work to demonstrate the value of a University education

#### Strategic objective

- Offering quality service is key to ensuring we have relationships with the high- and mid-ranked Universities (the ones most likely to sustain a reduction in demand). Our PRISM operating platform helps us deliver the best customer service efficiently
- Offering a wider range of product enables students to have more choice

Read more about **Our business model on page 30**

#### What happened in 2019

- Increasing media attention on value-for-money for students in HE
- Continued strong service delivery evidenced by record levels of customer satisfaction and Higher Education Trust scores
- Increasing proportion of second and third years choosing PBSA. Over two thirds of Unite's direct-lets are returning students
- Continued our Student Ambassador programme and University-adopted Welcome programme
- Acquisition of Liberty Living provides a wider range of product and price points and more affordable product

Read more about our **Operations review on page 56**

#### Risk mitigation in 2019

- Engagement with our customers and Universities to ensure we deliver services our customers value and an affordable product
- Continued investment in market knowledge and building on our relationships with the strongest Universities, driven by Home for Success and our University partnerships team

#### Focus for 2020

- Ongoing review of our services, product proposition and specification, including the Liberty Living proposition
- Greater segmentation of product for customers
- Demonstrating the value-for-money of our offer compared to alternatives

## 3 Supply increase: maturing PBSA sector and increasing supply of PBSA beds

Movement

| Possible events | Impact |
| --- | --- |
| • New supply as sustained high levels of investment demand filter into the development market, primarily through investors providing forward commitments to smaller developers | • More competition for the best sites<br>• Potential impact on rental growth and occupancy |

### Strategic objective

Link to strategy

- Offering great service as well as having high-quality properties is critical to mitigating any supply surplus

### What happened in 2019

- Continued high level of individual PBSA assets and portfolios traded in 2019
- New supply starting to slow down in specific markets with more challenging planning environments and the emergence of the PRS sector as an alternative option for sites that could have been developed for PBSA
- PBSA sector continues to mature and becomes increasingly professionalised
- Unite 98% occupancy for the 2019/2020 academic year, underpinned by 56% nomination agreements
- Three new properties delivered in 2019. Active property recycling, resulting in higher-quality Unite portfolio

Read more about **our Operations review on page 56 and Property review on page 62**

### Risk mitigation in 2019

We continue with our focus and strategy on:

- Disciplined investment approach to markets with supply/demand imbalance
- Exposure to the best Universities underpinned with new developments secured with nomination agreements
- Investment in our brand and student experience – creating better environments within our new developments through Home for Success
- Maintaining strong relationships with key Higher Education partners

Read more about **Partner of Choice for Universities on page 23**

### Focus for 2020

- Our portfolio: integration of the Liberty Living business as well as delivering our development pipeline, underpinned with strong University partnerships
- Our people and our operating platform: ensure our People and PRISM continue to help us deliver consistently high levels of service to students and Universities alike
- Our capital structure: ensuring we have a strong yet flexible capital structure so we can adapt appropriately as supply grows

**Risks linked to strategy**

- Quality properties
- Quality service platform
- Quality University partnerships
- Quality people

# Principal risks and uncertainties continued

## Operational risks

### 4 Major health and safety (H&S) incident in a property or a development site

Movement

**Possible events**

- Fatality or major injury from a fire or other incident at a property
- Multiple contractor injuries at a development or operational site

**Impact**

- Impact to students living with us, contractors working on-site and visitors
- Reputational damage and trust in Unite Students as a reliable partner

**Risk management**

- H&S is given direct Board supervision by the H&S Committee (a sub-Committee of the Board) which actively supervises H&S, ensuring robust policies and procedures are in place and consistently complied with
- H&S is also actively reviewed in the Operations and Property Boards, ensuring that H&S is top of mind in our day-to-day operations and regularly assessed and validated
- Well resourced health and safety team, working with our customer facing teams on a continual basis
- Use of audits and external consultants to ensure that we are maintaining high standards

Read more about **Health and Safety Committee report on page 116**

**Strategic objective**

Link to strategy

- Ensuring the safety of our customers, contractors and employees is fundamental to us offering quality service

Read more about **Our business model on page 30**

**What happened in 2019**

- The Hackitt Review and Building Regulations change continues the focus on fire safety especially in high-rise residential properties
- Focus on combustible materials continues, with high-pressure laminates (HPL) now under review
- Fire safety management – continued focus on our policies and procedures, risk assessments, training and fire records
- Implemented Fire Risk Management Framework BS 9997
- Maintenance regimes – continued focus on testing and planned preventative maintenance
- Continued working closely with Department for Communities and Local Government (DCLG) and local fire authorities and fire safety experts to ensure fire safety and address any remedial actions following Grenfell Tower learnings
- Continued good performance against our KPIs

**Risk mitigation in 2019**

External assurance sought through the British Safety Council (BSC), our external safety auditor, with three BSC safety audits:

1. Occupational Health and Safety audit spanning 39 operating properties and our Bristol head office – achieved BSC Five-star audit rating
2. Dedicated fire safety audit
3. Construction audit

Student safety campaigns for students during their first six weeks living with Unite. These were run in conjunction with local fire and rescue services and Police Community Support Officers. These focus on:

1. Student fire safety
2. Student personal safety

**Focus for 2020**

- Implement Hackitt Review recommendations – ensure the 'golden thread' per property (a digital, single repository of information per building from design through to construction and any later changes in occupation)
- Continued focus on fire safety and education, reinforcing fire as our biggest safety risk
- Make changes to HPL cladding as necessary
- Implement learnings from BSC Five-star occupational Health & Safety audit

## 5 Liberty Living acquisition/integration risk

New Risk

| Possible events | Impact |
|---|---|
| • Failing to deliver the Liberty Living integration and cost synergies on time and to budget | • Reputational and financial risk for the Group impacting shareholder confidence<br>• Dissatisfied employees impacting customer satisfaction and weakening University relationships |

### Risk management

- Clear milestones through the acquisition process with regular and thorough Group Board review and oversight
- Development of a clear Integration Plan focused on People, Process and Technology, underpinned with a comprehensive governance and reporting framework

### Strategic objective

Link to strategy

- Earnings and NAV growth
- Improving customer service with growing scale

### What happened in 2019

- Intense, regular and balanced focus on the Liberty Living acquisition, a complex and transformational transaction, with the potential for distraction from the Group's underlying operational and financial performance

### Risk mitigation in 2019

- Clarity for people and their teams on their in-year delivery and ensuring increasing levels of work activity are appropriately resourced

### Focus for 2020

1. **Phased operational integration through 2020** following an initial period of dual running the Liberty Living business to limit disruption after completion of the acquisition
2. **Deliver synergy benefits** by mobilising the Liberty Living beds onto the Unite PRISM operating platform during 2020 and then start delivery of annualised synergies from 2021
3. **Sustain existing operational business performance** with a continued focus on Unite's underlying core business while dual running the Liberty Living business; and
4. **Ensure we deliver a great experience for our customers, University partners and all our people across the enlarged business** with a dedicated resource leading on our Employee Proposition

### Risks linked to strategy

- Quality properties
- Quality service platform
- Quality University partnerships
- Quality people

# Principal risks and uncertainties continued

## Property/development risks

### 6 Inability to secure the best sites on the right terms. Failure or delay to complete a development within budget and on time for the scheduled academic year

Movement

| Possible events | Impact |
|---|---|
| • Site acquisition risk – increasing competition for the best sites<br>• Planning risk – delays or failure to get planning<br>• Construction risk – build cost inflation due to increasing development (albeit tempered by Brexit uncertainty)<br>• Construction execution risk – pressure on EU labour/materials due to Brexit<br>• Climate risk – physical, regulatory and transactional risks associated with climate change and the environmental impact of our development activity | • NAV and EPS affected by aborted schemes and/or reduced financial returns, with cash tied up in development<br>• Reputational impact of delivering a scheme late and leaving students without accommodation<br>• Potential increases in construction costs as we seek to reduce the carbon intensity of our developments and comply with more stringent building regulations |

#### Risk management

- Experienced development team with extensive site selection and planning expertise, coupled with strong track record and focus on project delivery and strong relationships with construction partners with appropriate risk sharing. Group Board approval for commitments above a certain threshold
- Financial investment in schemes carefully managed prior to grant of planning
- We seek to reduce embodied carbon through efficient construction methods and invest in energy efficiency measures to reduce carbon emissions and water usage of our buildings during operation

#### Strategic objective

Link to strategy

- Quality properties
- High-quality service for students and Universities
- Reduce our negative environmental impacts

Read more about **Operating quality buildings on page 23 and Unite as a responsible business on page 24**

#### What happened in 2019

- Three schemes delivered, on time and to budget
- Secured development and partnerships pipeline of 5,191 beds for delivery over the next four years, generating 6.8% yield on cost

Read more about **Property review on page 62**

#### Risk mitigation in 2019

- Regular development team and property review, with Group Board Director oversight to ensure failure to secure sites or complete on time are managed in the budget
- Detailed planning pre-applications and due diligence before site acquisition
- Build cost inflation regularly appraised and refreshed. Mid-sized framework contractors used and longer-term relationships established to mitigate cyclical swings
- Engagement with our supply chain regarding future reductions in embodied carbon through our development activity, for example through building design and material specification

Read more about **Development pipeline and University Partnerships pipeline on page 65**

#### Focus for 2020

- Ensuring delivery of our three properties scheduled for 2020/21 academic year opening. Managing Brexit-related disruption at these development schemes (people and materials) and keep pipeline on time and to budget
- Securing more sites to build the pipeline for 2022 and beyond
- We plan to introduce stretching new carbon targets for our enlarged business, considering both the impact of operational carbon emissions and embodied carbon from our development and refurbishment activity

Read more about **Secured development and partnerships pipeline on page 66**

## 7 Property markets are cyclical and performance depends on general economic conditions

Movement

| Possible events | Impact |
|---|---|
| • Buying, developing or selling properties at the wrong point in the cycle | • Reduction in asset values reducing financial returns |

### Risk management

- Group Board and Property Board ongoing monitoring of property market, direction and values
- Forecast rental growth and recurring profit offsets any yield movement
- Ensuring we have a strong yet flexible capital structure so we can adapt appropriately to market conditions
- Clear and active asset management strategy

### Strategic objective

Link to strategy

- Quality properties
- Greater focus on earnings as a driver of financial returns for investors
- Sustainable and growing returns

Read more about **Our business model on page 30**

### What happened in 2019

- Continued high level of individual PBSA assets and portfolios traded in 2019, including the £1.4bn Liberty Living portfolio
- Successfully recycled capital from our portfolio with £298m of disposals (Unite share £249m)
- Customer satisfaction and Higher Education trust scores at record levels supporting rental growth and our portfolio value

Read more about **Property portfolio on page 63**
Read more about **Disposal activity on page 66**

### Risk mitigation in 2019

- Disposals – ongoing monitoring of our portfolio and a successful portfolio disposal
- Acquisitions – disciplined acquisitions strategy exercising caution over portfolio premiums being paid in the market. Careful management of net debt and LTV
- Maintaining disciplined approach to new development transactions by maintaining Group hurdle rates

### Focus for 2020

- Ongoing monitoring of Brexit and Government policy and its impact on the property market and general economic conditions. Ensuring a strong yet flexible capital structure to manage the property cycle
- Continued focus on Home for Success and our partnerships with stronger Universities

### Risks linked to strategy

- Quality properties
- Quality service platform
- Quality University partnerships
- Quality people

# Principal risks and uncertainties continued

## ESG risks

### 8 ESG Risks: environmental and social challenges to our longer-term sustainability

New Risk

#### Possible events

**Environmental/climate change risks include:**

- Regulatory risks: ongoing evolution of more stringent climate related regulations such as energy efficiency standards and reporting standards
- Physical risks: increased frequency and severity of extreme weather events such as high winds, intense rainfall and heatwaves
- Transition risks: risk associated with the transition to a low carbon economy such as rising stakeholder expectations on performance and disclosure, reducing embodied carbon, asset stranding, and energy supply challenges and rising non-commodity costs

**Social risks include:**

- Increased expectations regarding our contribution to widening participation in Higher Education and improving outcomes for students

#### Impact

- Reputational and financial impacts arising from lack of clarity and environmental targets and enforcement action for non-compliance, such as on minimum standards for EPCs
- Damage to properties and disruption to customer experience, operations and supply chain due to extreme weather events
- Reduced investor confidence and access to finance
- Requirement for significant capital investment and asset management activity to address these environmental risks

#### Risk management

- Ongoing development and implementation of building energy performance strategy to manage EPC risk exposure and deliver performance improvements across the enlarged portfolio as well as closer integration with asset management and development activity
- Improve stakeholder engagement, dialogue and disclosure on climate related issues as part of a wider business focus on improving sustainability strategy, performance and reporting
- Implement a corporate power purchase agreement (PPA) linking a proportion of our baseload energy consumption directly to renewable energy generation assets

Read more about **Up to uS and how we act responsibly and sustainably on page 74**

#### Strategic objective

Link to strategy

- Develop and communicate a clear ESG strategy during 2020
- Develop revised Science Based Carbon Targets during 2020 covering our new enlarged portfolio
- Deliver energy and carbon performance improvements required to follow UK decarbonisation targets

#### What happened in 2019

- Government consultations in England and Wales on more stringent EPC minimum standards
- Increased stakeholder expectation around ESG performance and disclosure, and themes such as Task Force on Climate-related Financial Disclosures (TCFD), GRESB and Net Zero carbon emissions
- Volatile wholesale energy markets with ongoing uncertainty and complexity, and increasing non-commodity costs
- Flooding including several cities in which the business operates (no direct impacts on our properties)
- Liberty Living portfolio acquisition brings new climate related risks and opportunities
- MSCI ESG rating: AA
- GRESB score and rating: 72 (Three-star)

#### Risk mitigation activity in 2019

- Engaged key stakeholders to understand their most material ESG concerns
- Submitted responses to EPC consultations via the British Property Federation (BPF)
- Continued investment in energy efficiency initiatives to deliver real world energy and carbon savings
- Completed tender for and entered into final negotiations for 5MW corporate power purchase agreement
- Disclosed in line with EPRA sBPR, achieving Silver rating and Most Improved award

#### Focus for 2020

- Publication of a standalone sustainability report, as we look to provide greater transparency and accountability around our ESG initiatives aligned with relevant metrics and guidance such as TCFD, EPRA sBPR and GRESB
- We plan to update our Up to uS sustainability strategy with stretching new targets including carbon. Our new Sustainability Report due out later in the year will also address the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)
- Develop building energy performance strategy across whole portfolio including Liberty Living properties to better manage exposure to climate related risks such as future EPC minimum standards, and identify energy and carbon reduction opportunities

## Financial risks

### 9 Liquidity risk/over-commit to development

Movement

| Possible events | Impact |
|---|---|
| • Unite breaches a loan covenant or fails to replace debt on expiry<br>• Interest rate increase<br>• Unite unable to meet future financial commitments | • If unable to replace debt, then possible forced sale of assets potentially leading to sales below valuation. Slowdown of development activity<br>• Reduced level of profitability<br>• Adverse rate movements can lead to reduced profitability and reduction in property values (through resulting expansion of valuation yields and lower valuations) |

**Risk management**

- Proactively managing debt maturities to refinance facilities at least six–12 months before maturity and in parallel diversifying our sources of finance to repay more expensive and less flexible borrowings
- Control of future cash commitments in line with progress of disposals. Interest rates monitored by the funding team as an integral part of our refinancing activity – owned by the CFO and with Group Board oversight
- Gearing ratios defined in our Capital Operating Guidelines
- Hedge exposure with interest rate swaps and refinance facilities with fixed rates

Read more about **Financial review on page 68**

**Strategic objective**

Link to strategy

- Earnings and NAV growth

Read more about **Our business model on page 30**

**What happened in 2019**

- Weighted average debt maturity decreased slightly from 5.8 years to 5.4 years and average cost of debt reduced to 3.3% (31 December 2018: 3.8%)
- At as 31 December 2019, LTV 37% (31 December 2018: 29%) and net debt of £1,884m (31 December 2018: £856m), increasing due to the Liberty Living acquisition. 93% of debt at fixed rate/swapped

**Risk mitigation in 2019**

- Regular and reliable engagement with lenders
- With a benign interest rate environment, we continue to take advantage of historically low rates (both on new debt and also entering into forward-starting interest rate swaps locking in rates for our development pipeline). Our Capital Operating Guidelines require our hedge percentage to be between 75% and 95%. Current ratio at 93% (31 December 2019) but rising to 95% in Q4 2020

**Focus for 2020**

- Reducing LTV and funding future development acquisitions beyond 2022
- Funding future development acquisitions beyond 2020
- Extending 2022 debt maturities to better phase future maturities

**Risks linked to strategy**

- Quality properties
- Quality service platform
- Quality University partnerships
- Quality people

# Operations review

*"We made good progress against all our key operational metrics in 2019; delivering rental growth and margin improvements alongside record achievements in our customer surveys and external safety audit."*

**John Blanshard**

Chief Customer Officer

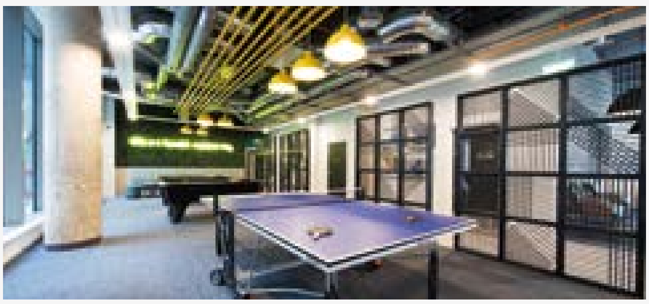
The Group continues to report on an IFRS basis and presents its performance in line with best practices as recommended by EPRA. The Operations and Property reviews focus on EPRA measures as these are our key internal measures and aid comparability across the real estate sector.

## Sales, rental growth and profitability

The key strengths of our operating business are our highly committed people, our PRISM operating platform, our brand and the strength of our relationships with Universities. We continued to build on these in 2019, delivering a 15% increase in EPRA EPS to 39.1p (2018: 34.1p). This growth has again been driven by high occupancy, rental growth and the impact of capital recycling, as well as further operational efficiencies and ongoing cost discipline.

| Summary income statement | 2019 £m | 2018 £m |
|---|---|---|
| Rental income | **213.9** | 188.3 |
| Property operating expenses | **(53.1)** | (48.0) |
| **Net operating income (NOI)** | **160.8** | **140.3** |
| *NOI margin* | ***75.2%*** | *74.5%* |
| Management fees | **14.4** | 15.6 |
| Operating expenses | **(21.8)** | (21.7) |
| Finance costs | **(43.9)** | (40.0) |
| Acquisition and net performance fees | **6.8** | – |
| Development and other costs | **(5.7)** | (5.8) |
| **EPRA earnings** | **110.6** | **88.4** |
| **EPRA EPS** | **39.1p** | **34.1p** |
| *EBIT margin* | ***71.7%*** | *71.3%* |

A reconciliation of profit after tax to EPRA earnings is set out in note 2.2b to the financial statements.



Rental income has increased by £25.6 million, up 14%, as a result of like-for-like rental growth, new openings and just over one month's contribution from Liberty Living, offset by the impact of disposals made in the year. This resulted in a 15% increase in NOI to £160.8 million and an improvement in NOI margin to 75.2% (2018: £140.3 million and 74.5%).

The efficiency programme implemented in 2018 helped mitigate underlying inflation in overheads by streamlining processes and procedures identified through our student insight and delivered thanks to PRISM and our scale efficiencies. Management fee income from joint ventures was £21.2 million (2018: £15.6 million), as a result of recurring management fees of £14.4 million and non-recurring fees of £6.8 million (2018: £13.2 million and £2.4 million). This includes £4.6 million from partial recognition of the LSAV performance fee (2018: nil). We have continued to make progress towards our EBIT margin target of 74% by the end of 2021, achieving 71.7% in 2019, through scale and further operating efficiencies. Following the acquisition of Liberty Living, we see further opportunities to enhance the enlarged Group's EBIT margin target over time through procurement savings, investments in energy efficiency and customer segmentation.

Finance costs increased to £43.9 million (2018: £40.0 million). An increase in net debt during the year to £1,884 million (2018: £856 million) was caused primarily by the acquisition of Liberty Living at the end of November and was partially offset by a lower average cost of finance in 2019 of 3.6% (2018: 3.8%) as we have utilised revolving credit facilities at lower average rates. Interest capitalised into development schemes decreased from £10.5 million to £9.1 million, driven both by lower development spend and lower capitalisation rates. We expect capitalised interest to remain at around this level given the ongoing level of development activity in 2020 and 2021.

Development (pre-contract) and other costs remained broadly flat at £5.7 million (2018: £5.8 million), reflecting site acquisitions, the earnings impact of share-based incentives and our contribution to our charitable trust, the Unite Foundation.

## Occupancy, reservations and rental growth

Occupancy across Unite's portfolio for the 2019/20 academic year stands at 98% and like-for-like rental growth of 3.4% was achieved. Beds under like-for-like nomination agreements delivered 3.4% rental growth, reflecting fixed or inflation-linked uplifts on multi-year agreements. Direct-let beds delivered 3.8% YoY growth on a like-for-like basis, through a combination of value-driven price increases as well as improvements in the utilisation of our assets. We are offering more 51-week tenancies where we see demand, in particular from international students. In addition, we achieved a 46% increase in summer income in 2019 by changing tenancies to support summer demand, increased focus and delivery by our teams and through the introduction of hotel-style stays in certain locations. We forecast utilisation of 88% for 2019/20 and continue to see the potential to improve utilisation to the low-90%s over the medium term.

At a fund level, LSAV delivered rental growth of 4.8% for 2019/20, reflecting the portfolio's focus and the ongoing shortage of purpose-built accommodation in London. The wholly owned and USAF portfolios delivered rental growth of 3.4% and 2.9% respectively, reflecting a higher level of nomination agreements in those portfolios and a higher weighting to more highly penetrated provincial markets.

### 2019/20 Rental growth*

| By fund | | By type | |
|---|---|---|---|
| Wholly owned portfolio | 3.4% | Nominations | 3.4% |
| USAF | 2.9% | Direct-let | 3.8% |
| LSAV | 4.8% | Non like-for-like** | 2.9% |
| **Total** | **3.4%** | **Total** | **3.4%** |

* Excludes sale and leaseback properties and Liberty Living properties.

** Non like-for-like properties include buildings which have changed from nominations to direct-let, or vice versa, during the year.

## Operations review continued


We have maintained a high proportion of beds let to Universities, with 56% of rooms under nomination agreements (2018/19: 60%). The decrease in our weighting to nominations agreements reflects the slightly lower level of nomination in the legacy Liberty Living portfolio. The acquisition of Liberty Living has deepened some of our key University relationships, and brings new relationships with Russell Group institutions such as the University of Manchester, University of Sheffield and Cardiff University.

65% of these agreements, by income, are multi-year and therefore benefit from annual fixed or inflation-linked uplifts. These agreements secure average annual rental growth of 3.0% over the next five years at current levels of inflation and utilisation. The remaining agreements are single year and we again achieved a renewal rate of 85% on these agreements. Enhanced service levels and our extensive understanding of student needs have resulted in longer term and more robust partnerships with Universities over recent years. The unexpired term of our nomination agreements is six years, in line with 2018.

We expect the proportion of beds let to Universities to remain at or around this level in the future. This balance of nominations and direct-let beds provides the benefit of having income secured by Universities, as well as the ability to offer rooms to re-bookers and postgraduates and determine market pricing on an annual basis.

| Agreement length | Beds 2019/20 | Beds 2018/19 | 2019/20 % Income |
|---|---|---|---|
| Single year | **15,264** | 7,543 | 35 |
| 2–5 years | **11,214** | 11,672 | 28 |
| 6–10 years | **4,579** | 1,675 | 12 |
| 11–20 years | **5,224** | 4,026 | 13 |
| 20+ years | **5,203** | 4,099 | 12 |
| Total | **41,484** | **29,105** | **100** |

UK students account for 60% of our customers and account for a large proportion of the beds under nomination agreements with Universities. In addition, 31% and 9% of our customers come from non-EU and EU countries respectively, reflecting the relative appeal of our hassle-free product when compared with alternatives in the private rented sector.

Re-bookers accounted for 28% of our direct-let bookings for the 2019/20 year, increasing the proportion of our direct-let beds let to non-first years to 75%. This reduces our exposure to less predictable first year undergraduate customers and puts less emphasis on clearing following A-level results.

Postgraduates have increased as a share of our total customer base over the past five years, driven by strong growth in UK postgraduate numbers and increasing awareness of the benefits of PBSA. In response, we are considering how to tailor our offer for postgraduates as part of our wider review of customer segmentation.

Reservations for the 2020/21 academic year are encouraging at 73%, in line with record levels in 2018, as a result of our continued focus of working alongside the UK's best Universities, the success of our online marketing strategy and further progress through our local marketing operation in China. We continue to monitor the situation regarding the outbreak of the Coronavirus and its potential impact on reservations for summer 2020 and the 2020/21 academic year, and we are working on mitigation plans if required.

We have good visibility over rental growth for the 2020/21 academic year, with the nomination agreements in place on a large proportion of our beds. Falling UK inflation over the past 12 months will result in a slight reduction in rental growth from multi-year nomination agreements with annual RPI-linked rental increases. However, we still anticipate annual rental increases of just under 3% from our nomination agreements. In addition, we also see a positive outlook for direct-let sales through re-bookers

and growing demand from non-EU international and postgraduate students. We expect increases in utilisation to contribute around a third of our 3.0–3.5% rental growth target for 2020/21, through a combination of longer tenancy lengths and new multi-year group bookings.

## Enhancing our customer proposition

Our best-in-class operating platform continues to drive both service enhancements and operational efficiency. We remain committed to reinvesting a significant proportion of savings in enhanced customer services that deliver value-for-money for students and support our purpose of creating a Home for Success. This includes investment in our MyUnite app, our Student Ambassador programme and staff training around student welfare. This ongoing investment in our customer proposition is factored into our 74% EBIT margin target.

Home for Success forms a key component of how we operate as a responsible business, and means providing a living environment that enables students to get the very best out of their time at University. With this in mind, we continue to invest in the things that our extensive research tells us matter most to them: the smoothest possible transition to University life; a home that is safe and secure, where they can study and socialise in the way they want; and ensuring that help is on hand when needed.

Making sure the move to University and the process of settling in is as smooth as possible for students enhances retention and reduces the workload on our teams. In delivering this experience, we bring together our expertise in design and a carefully designed suite of traditional and digital services delivered by people who have a long experience of welcoming students from every background to their new life.

We continue to strengthen our relationship with our customers, as reflected in record student satisfaction, up to 85 in 2019 from 83 last year. Our net promoter score (NPS) has also increased from 17 in 2018 to 19 in 2019, reflecting enhancements to customer service and greater consistency across the estate. This puts us materially ahead of the wider corporate PBSA sector (NPS of 6) and University PBSA (NPS of -4) based on the latest National Student Housing Survey. Our success in providing buildings and a student offer that is valued by Universities is evidenced by our ongoing success in delivering valuable nomination agreements and our independently verified University Trust score that increased to a record level of 82 in 2019 (2018: 81).

### Recent service enhancements

The MyUnite app, currently used by 90% of our students, gives a platform for students to message each other in a moderated forum before moving in. In response to student demand, we have also recently rolled out an online check-in service, also available through the app and used by 75% of students to be offered the facility in 2019. Allowing students to book check-in slots makes for a smoother check-in day and allows our people to concentrate on providing a hassle-free and positive experience for new students, helping them to settle in quicker.

Once living with us, the MyUnite app allows students to log maintenance requests and anonymous noise complaints, book and use laundry machines and notify the security team if they are locked out of their room so they can be let in at any hour. The logging of maintenance requests has been improved further, allowing auto-scheduling and monitoring of requests to help our teams deliver first-time fixes by the end of the working day in 80% of cases. All of these functions put more power and choice into our students' hands, and also increases our operating efficiencies, allowing us to concentrate on offering unbeatable service. These digital channels are increasing in popularity with our students, as illustrated by a 13% increase in online WebChats to our contact centre, versus a 23% reduction in calls regarding students' accounts and a fall of 40% in general customer service calls compared to the previous year.

## **Operations review** continued

### Helping students settle in

Our Student Ambassador programme typically involves second and third-year students, who have chosen to stay with Unite, providing peer-to-peer support within their buildings, especially for students arriving at University for the first time. They are on hand to help students move into their rooms quickly on check-in day, find the facilities they will need and to advise on the realities and practicalities of student life. Over the coming weeks and months, they represent a highly accessible source of support at critical points during a student's journey through University. We have recruited a 160-strong network of Student Ambassadors to help our 2019 intake of students, all of whom gain valuable work experience and personal development and are paid the National or London Living Wage.

Before students arrive, we offer both physical and virtual property tours and room viewings to familiarise students with their new home. We also review and improve our welcome communications each year to make sure the information students receive before leaving to go to University is relevant and needed, while not overwhelming. These communications feature local information for the student's chosen city, linking them to local amenities, events and services. We also guide our students to our online Common Room, which was visited by over 180,000 people in 2019, over two-thirds of whom were completely new users. Articles classed as Student Living and Health & Wellbeing had the highest combined views, and these make up a key part of our welcome communications. 80% of customers surveyed said they found their pre-arrivals communications useful, and pre-arrival calls to our contact centre reduced by 7%.

### Student wellbeing

During the year, we collaborated with the British Property Foundation to create a wellbeing guide and to drive positive change within the PBSA sector, leading by example. The guide outlines key findings on student welfare and suggests best practice within the sector. The guide was endorsed by the Department for Education.

We were the first in the sector to develop a professional framework for student wellbeing and to hire student service professionals to advise and guide our teams on difficult or unfamiliar situations. Our customer service teams are all trained in active listening to ensure they have the tools they need to quickly identify potential welfare issues before they become problematic and, if necessary, signpost students to an appropriate professional service. We also link in with University support networks and local wellbeing services, including the third-party peer-to-peer advice call centre, Nightline. We operate a 24/7/365 emergency contact centre for times of need, who received around 94,000 calls during the year.

We have a clear escalation process in which all team members can raise a concern about a student's wellbeing, and we work very closely with our University partners to direct them to the support they need. Each of our city teams has trained mental health first aiders and we regularly update our staff on trends and emerging issues in student welfare. We recognise the important part student accommodation has to play in student welfare, and the opportunity we have to influence a positive student experience from transitioning to student life and throughout their journey through University.

### Improving outcomes for students

Our student insight programmes consistently tell us that students' expectations before moving to University do not align with the reality of student living. To tackle this disparity, we launched Leapskills in 2018, a programme that helps to build resilience in prospective students and address key issues they may face on a day-to-day basis. The programme is made up of free resources, including a digital game that lets students and their teachers explore a virtual student accommodation block and look at what tricky scenarios they may encounter. This evokes discussions around living with peers, managing finances and potentially feeling lonely, among other topic areas. The programme has been received overwhelmingly well, with students and teachers telling us that the courses have better prepared them for University life. The Department

of Education has also endorsed and championed Leapskills. 64 educational institutions have now signed up for Leapskills and over 1,700 students have already participated in the programme to help them better prepare for University.

To deepen our student offer, we have partnered with Placer, a work experience matching app that helps to connect students with the best work experience opportunities available to supplement their University course. Historically, placements have been hard to reach for some students, but Placer levels the playing field to offer equal opportunities to any student who signs up to the service for free. This means socio-economic background and other factors will not influence a student's ability to gain work experience. So far, nine Universities are live with Placer with a further six committed for the 2019/20 academic year. To date, opportunities from 4,124 employers, including top graduate employers Enterprise-Rent-A-Car, HSBC, GSK and EY, have been shown to 7,000 students, with 25,000 saved to student shortlists and 2,000 clicks to apply. These opportunities positively supplement the students' University course and improve future employability.

**Improving access to Higher Education**

Moving to University, progressing in your subject and then eventually graduating are huge milestones in anyone's life. These challenges are even harder if you do not have the support of a family. The Unite Foundation charity was founded in 2012 to work with students who do not have family support to help them through this process, offering care leavers and estranged students wrap-around support as part of an accommodation scholarship with Unite. Only 6% of care leavers under the age of 21 go to University, with almost half dropping out from their course. The Unite Foundation is proud that its scholars show a 92% continuation rate from their first year of study. The Foundation currently works with 27 University partners, has awarded over 400 scholarships since 2012 and 130 students have already graduated; transcending their early academic disadvantage.

**University relationships**

Our reputation with Universities is another of our key performance metrics, and our latest Higher Education Trust survey revealed our reputation is at an all-time high. This is the result of our active engagement with our Universities at various different levels in the business; from the day-to-day operational activity with our city teams and liaising with University accommodation offices and student services to strategic conversations with Vice-Chancellors and their senior teams through our Higher Education engagement team and senior management. We are committed to helping our University partners to meet their own goals, such as customer satisfaction scores, student experience, wellbeing and retention goals. We continue to secure long-term nomination agreements that reflect this confidence in our offer, and our Universities increasingly view us as a strategic partner to their long-term accommodation strategies rather than just a traditional supplier.

Our partners are also invested in our long-term commitment to widening participation in Higher Education, through the Unite Foundation, and our deep insight and research programmes and campaigns. We have also received positive feedback within the sector for our Leapskills programme.

During the year, we launched our Higher Education website which caters specifically to potential and current University partners. This includes information on our Home for Success purpose and brand promises, as well as information on how we can work to create tailored offers for our partners. There are also links to our student insight programmes and blogs from our thought leaders.

Our acquisition of Liberty Living positions us as an even stronger partner for Universities, increasing our presence from 22 to 27 towns and cities across the UK. This has given us the opportunity to connect with more of the UK's strongest Universities and allows us to offer a wider range of accommodation options in our existing markets to better match what our University partners need for their students.

## Property review

# Our growth reflects the strength of our portfolio and high-quality development pipeline.


### EPRA NAV growth

EPRA NAV per share increased by 8% to 853 pence at 31 December 2019 (31 December 2018: 790 pence). In total, EPRA net assets were £3,110 million at 31 December 2019, up from £2,085 million a year earlier.

The main drivers of the 63 pence per share growth in EPRA NAV per share were:

- The growth in the value of the Group's share of investment assets as a result of rental growth (+20 pence) and yield compression (+11 pence)
- The value added to the development portfolio (+24 pence)
- The impact of the share placing, acquisition of Liberty Living and associated expenses (+6 pence)
- The impact of retained profits and other items (+2 pence)

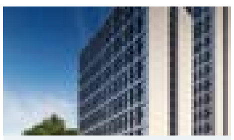
| | £m | Pence per share |
|---|---|---|
| **EPRA NAV as at 31 Dec 2018** | **2,085.4** | **790** |
| Rental growth | 72.4 | 20 |
| Yield movement | 40.9 | 11 |
| Development property gains | 87.0 | 24 |
| Share placing and Liberty Living acquisition | 785.2 | 6 |
| Retained profits/other | 38.8 | 2 |
| **EPRA NAV at 31 Dec 2019** | **3,109.7** | **853** |

### Property pipeline

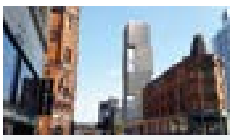
**The Unite Students' development pipeline extends until 2023, and will create over 5,000 beds for students.**

**2020/21**

2,257 beds

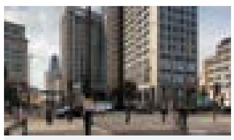


**White Rose View,**
Leeds
976 beds



**Artisan Heights,**
Manchester
603 beds

**First Way,**
London
678 beds



**Middlesex Street,**
London
913 beds

*"Our property activity is focused on further improving our alignment to high- and mid-ranked Universities and being in the best locations."*

**Nick Hayes**

Group Property Director

## Property portfolio

The valuation of our property portfolio at 31 December 2019, including our share of gross assets held in USAF and LSAV, was £5,225 million (31 December 2018: £2,967 million). The £2,258 million increase in portfolio value (Unite share) was attributable to:

- Valuation increases of £206 million on the investment and development portfolios, with like-for-like rental growth of 3.4% and yield compression of 11 basis points
- Capital expenditure on developments of £224 million, including interest capitalised
- Capital expenditure of £15 million on investment assets relating to refurbishment and asset management initiatives
- The acquisition of Liberty Living, representing £2,019 million of gross assets
- Other acquisitions of £7 million, disposals of £250 million and the impact of the change in Unite's ownership stake in USAF of £(74) million
- £110 million due to the recognition of leased assets under IFRS 16

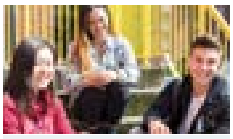
The see-through net initial yield of the portfolio is 5.00%, including properties acquired from Liberty Living (December 2018: 5.00%). For investment assets held throughout the year, there has been 11 basis points of yield compression. The Liberty Living portfolio was valued at an average net initial yield of 5.26% at the year end. Our alignment to growing Universities means that our portfolio is well placed to deliver continued rental growth.

**2021/22**
1,329 beds

**2022/23**
1,324 beds

**2023/24**
281 beds

**Old BRI,** Bristol
416 beds



**Derby Road,** Nottingham
620 beds

**Temple Quarter,** Bristol
704 beds

**Wyvil Road,** London
281 beds

# Property review continued

## Summary balance sheet

| | 31 December 2019 | | | 31 December 2018 | | |
|---|---|---|---|---|---|---|
| | Wholly owned £m | Share of Fund/JV £m | Total £m | Wholly owned £m | Share of Fund/JV £m | Total £m |
| Rental properties | **3,407** | **1,296** | **4,703** | 1,497 | 1,188 | 2,685 |
| Rental properties (leased) | **110** | **–** | **110** | – | – | – |
| Properties under development | **412** | **–** | **412** | 279 | 3 | 282 |
| Total property | **3,929** | **1,296** | **5,225** | **1,776** | **1,191** | **2,967** |
| Net debt | **(1,450)** | **(434)** | **(1,884)** | (471) | (385) | (856) |
| Lease liability | **(99)** | **–** | **(99)** | – | – | – |
| Other assets/(liabilities) | **(120)** | **(13)** | **(133)** | (14) | (12) | (26) |
| **EPRA net assets** | **2,260** | **849** | **3,109** | **1,291** | **794** | **2,085** |

The proportion of the property portfolio that is income generating is 92% by value, up from 90% at 31 December 2018, with 8% now under development. The portfolio is 34% weighted to London by value on a Unite share basis, which will rise to 38% on a built-out basis following completion of our secured development pipeline.

## Unite investment portfolio analysis at 31 December 2019

| | | Wholly owned | USAF | LSAV | Lease | Total | Unite share |
|---|---|---|---|---|---|---|---|
| London | Value (£m) | 1,015 | 391 | 1,061 | 17 | **2,484** | **1,648** |
| | *Beds* | *3,499* | *1,870* | *5,291* | *260* | ***10,920*** | ***34%*** |
| | *Properties* | *11* | *6* | *12* | *1* | ***30*** | |
| Prime provincial | Value (£m) | 877 | 641 | – | 29 | **1,547** | **1,047** |
| | *Beds* | *7,042* | *5,342* | – | *618* | ***13,002*** | ***22%*** |
| | *Properties* | *15* | *18* | – | *2* | ***35*** | |
| Major provincial | Value (£m) | 1,198 | 1,527 | 274 | 29 | **3,028** | **1,701** |
| | *Beds* | *17,324* | *19,506* | *3,067* | *753* | ***40,650*** | ***35%*** |
| | *Properties* | *37* | *48* | *1* | *2* | ***88*** | |
| Provincial | Value (£m) | 317 | 291 | – | 35 | **643** | **417** |
| | *Beds* | *4,957* | *3,520* | – | *1,059* | ***9,536*** | ***9%*** |
| | *Properties* | *11* | *10* | – | *3* | ***24*** | |
| **Total** | **Value (£m)** | **3,407** | **2,850** | **1,335** | **110** | **7,702** | **4,813** |
| | *Beds* | *32,822* | *30,238* | *8,358* | *2,690* | ***74,108*** | ***100%*** |
| | *Properties* | *74* | *82* | *13* | *8* | ***177*** | |
| **Unite ownership (£m)** | | **3,407** | **628** | **668** | **110** | **4,813** | |

## Buildings designed for students

The focus of our property activity is to provide buildings designed specifically around the needs of today's students, in the best locations alongside high-performing Universities. We involve our University partners in the design and planning process to ensure that we are delivering buildings that meet the requirements of their students. We also aim to provide value-for-money accommodation and look to continually enhance the specification of our estate, using technology to improve customer service, reduce our environmental impact and drive efficiency savings through energy and water savings, upgraded Wi-Fi speeds and new features to improve the living experience.

Our development and portfolio activity is designed to support this strategic approach, ensuring that the portfolio is best placed to meet students' requirements and drive full occupancy and rental growth in the medium term.

## Development and University partnership activity

Development and University partnership activity continues to be a significant driver of growth in future earnings and NAV and is aligned to our focus on high- and mid-ranked Universities. Our pipeline of traditional development, University partnerships and forward funds includes 5,191 beds with a total development cost of £681 million, of which 1,872 beds will be delivered in London for a total development cost of £375 million.

We continue to identify new development and University partnership opportunities that deliver our target returns in both London and the regions. In particular, we see an emerging development opportunity in zones 1 and 2 of Central London, following a softening in land values. We expect to add to our pipeline during 2020 and maintain a run-rate of c.2,000 new beds per annum.

The anticipated yield on cost of this secured pipeline is 6.8%. Prospective returns on new direct-let schemes remain attractive at around 8.0% in provincial markets. We have lower hurdle rates for developments that are supported by Universities or where another developer is undertaking the higher risk activities of planning and construction. The new London Plan requires student accommodation to secure a nomination agreement with one or more Universities, meaning we expect new London developments to be delivered as University partnerships with development yields of 6.0–6.5%. University partnerships make up almost 60% by value of our secured development pipeline.

We have contractually fixed our exposure to construction costs on all schemes completing in 2020 and entered into design and build contracts for our 2021 deliveries, which substantially de-risks our cost risk. We have brought forward the procurement of all critical items supplied from European countries on our 2020 completions.

### 2019 and 2020 completions

We completed 2,390 beds across three new schemes during 2019 in line with budget and programme, achieving full occupancy in the first year of operation. Around 70% of these beds are let to Universities under nomination agreements for the 2019/20 academic year, with an average duration of 16 years, supporting our ongoing focus on quality of income.

The 2020 development pipeline is nearing completion on time and to budget. We are opening 2,257 beds across three properties all in high-ranking University cities, with over 50% of the beds already secured under nomination agreements, with an average life of 15 years, supporting our ongoing focus on quality of income.

### Development pipeline

During the year, we secured planning on our 913-bed Middlesex Street site in London for delivery in 2021. Middlesex Street creates new supply in a strategically important location where there is a shortage of affordable, high-quality accommodation. The scheme is expected to deliver a £86 million uplift to NAV, of which £40 million is still to be recognised, and will add 2 pence to EPRA EPS from 2021/22.

Planning has also now been secured for our 416-bed student accommodation development at the Old BRI site in Bristol city centre, which will be delivered for the start of the 2021/22 academic year. The consented scheme includes 62 rented residential homes and includes 20% affordable units. Unite will deliver the residential portion of the scheme with the option of retaining or disposing of the homes on completion.

We have continued to add to our pipeline during the year, with an additional two schemes expected to deliver an additional c.1,000 beds. One of the schemes is a 620-bed development site in Nottingham, which is subject to planning consent, expected to open in time for the 2022/23 academic year. In addition, we have acquired a c.300-bed development site at Wyvil Road in London as part of the Liberty Living acquisition, which has the potential to accommodate both student and other residential uses.

### University partnerships pipeline

In addition to growing the number of beds and the value of income underpinned by long-term University-backed nomination agreements, we have made further progress with our strategy of delivering ongoing growth through partnerships with Universities. We have secured two further University partnership schemes over the past 12 months.

In October, Unite agreed commercial terms with the University of Leeds for a 30-year nomination agreement for its White Rose View development in Leeds.

In January 2020, we announced we were in advanced negotiations with the University of Bristol for a University partnership covering around 3,000 beds in Bristol. This will include a large proportion of Unite's existing operational assets in the city following targeted investments as well as the 416-bed Old BRI development and the 650-bed Temple Quay development in close proximity to the University's new Temple Quarter campus. The long-term agreement strengthens our long-standing and valuable relationship with the University.

At Middlesex Street in London, we were supported through planning by King's College London and both parties are working towards a long-term nomination agreement ahead of completion for the start of the 2021/22 academic year.

We continue to make progress with our strategy of delivering ongoing growth through partnerships with Universities. Through our Higher Education Engagement team, we have a pipeline of active discussions for new University partnerships, with 11 Universities covering almost 24,000 beds. These discussions often cover a range of potential solutions on a city-wide basis, reflecting each University's specific accommodation needs.

These strategic discussions may include multi-year nomination agreements for our existing operational assets, on-campus and off-campus developments and stock transfer.

# Property review continued

The nature of these discussions and the commitment required by both parties means that some opportunities will fall away. This often reflects changes in circumstances, strategy or personnel for Universities or our own decision not to pursue certain opportunities. For Universities, decisions over their accommodation strategies are often superseded by academic matters and investment in their own academic estates. However, there remains a compelling rationale for Universities to work with us to deliver operational efficiencies and provide the new accommodation required to deliver their future growth ambitions.

Positively, we continue to track a healthy flow of new opportunities to add to the pipeline. Our experience suggests that we will convert 10–20% of these opportunities over time. As a result, we expect to add one or two new deals per year as previously outlined.

| | Type | Beds | Execution risk |
|---|---|---|---|
| Multi-year nominations | Existing portfolio | 10,200 | Low/Medium |
| Off-campus development | New | 3,700 | Medium |
| On-campus development | New | 5,700 | High |
| Stock transfer | New | 4,000 | High |
| **Total** | | **23,600** | |

## Secured development and partnerships pipeline

| | Target delivery | Secured beds No. | Total completed value £m | Total development costs £m | Capex in period £m | Capex remaining £m | Forecast NAV remaining £m | Forecast yield on cost % |
|---|---|---|---|---|---|---|---|---|
| **Wholly owned** | | | | | | | | |
| First Way, London | 2020 | 678 | 126 | 102 | 33 | 31 | 8 | 6.0% |
| New Wakefield, Manchester | 2020 | 603 | 85 | 56 | 20 | 17 | 11 | 7.8% |
| Derby Road, Nottingham[1] | 2022 | 620 | 64 | 48 | 1 | 47 | 16 | 8.0% |
| Wyvil Road, London[1] | 2023 | 281 | 132 | 87 | 18 | 69 | 44 | 6.4% |
| **Total wholly owned** | | **2,182** | **407** | **293** | **72** | **164** | **79** | **7.1%** |
| **University partnerships** | | | | | | | | |
| White Rose View, Leeds | 2020 | 976 | 124 | 83 | 35 | 25 | 15 | 7.4% |
| Old BRI, Bristol | 2021 | 416 | 57 | 42 | 1 | 21 | 15 | 6.2% |
| Middlesex Street, London | 2021 | 913 | 272 | 186 | 37 | 141 | 40 | 6.1% |
| Temple Quarter, Bristol[1] | 2022 | 704 | 96 | 77 | 1 | 76 | 18 | 6.2% |
| **Total University partnerships** | | **3,009** | **549** | **388** | **74** | **263** | **88** | **6.6%** |
| **Total pipeline (Unite share)** | | **5,191** | **956** | **681** | **146** | **427** | **167** | **6.8%** |

1 Subject to obtaining planning consent.

## Disposal activity

We will continue to manage the quality of the portfolio and our balance sheet leverage by recycling capital through disposals and reinvesting into developments and acquisitions of assets aligned to the best Universities. During the year, the Group's share of disposals was £249 million, in line with book values, at a blended net initial yield of 5.7%. This included the sale to USAF of five properties for £202 million (Unite share: £153m), located in Portsmouth, Leeds, Newcastle and Birmingham and totalling 2,378 beds. In addition, in October we exchanged and completed on the sale of two wholly owned properties in Coventry, comprising 1,127 beds for £96 million to Mapletree Investments at a price in line with book value.

Following the acquisition of Liberty Living, we intend to dispose of approximately £150–200 million of assets per annum, broadly in line with historical levels. These target disposals, combined with rental growth, are intended to ensure that we meet our target LTV of 35% and underpin our ability to sustain rental growth over a longer time horizon.

# Unite Foundation

## Releasing talent through scholarships to estranged and care experienced students

**Going to, progressing and then graduating from University are major life changes for anyone, and all the more challenging without a family to support you. The Unite Foundation is a charity that works with University partners across England and Scotland to offer care-leavers and estranged students an accommodation scholarship in a Unite Students property and provide a stable Home for Success. Only 6% of care-leavers under the age of 21 go to University, with almost half leaving before the end of their course. The Unite Foundation is proud that its scholars show a 92% continuation rate.**

The Unite Foundation was founded by Unite Students in 2012 and supports our efforts to work with Universities to widen participation in Higher Education, as well as improving outcomes for students. Adding social value and contributing to the third sector is a key part of our responsible business strategy.

The Unite Foundation works with 27 University partners and has awarded 434 scholarships since 2012, and 130 students have graduated; transcending their early academic disadvantage.

Paige, a Unite Foundation media graduate, found the scholarship invaluable.

"The Unite Foundation Scholarship meant that I had a place to call home. It's important to realise that just because you come from a dysfunctional background doesn't mean you need to live a dysfunctional life. I feel like the Unite Foundation scholarship really helped me process that, without them I wouldn't be where I am now."

Since graduating, Paige is pursuing a career in radio – most recently presenting No Filter on BBC Radio Humberside – using her degree to work towards her dream job, which would not have been possible without support from the Unite Foundation and her University.

**27**
University partners are working with the Unite Foundation

**434**
scholarships have been awarded since 2012

**130**
students have graduated, transcending their early academic disadvantage

**92%**
Unite Foundation scholars continue past their first year of study

# Financial review

*"Financial performance has once again been strong with 15% growth in EPRA EPS, underpinned by our University relationships, operating platform and development activity."*

**Joe Lister**
Chief Financial Officer

## Income statement

A reconciliation of Profit before tax to EPRA earnings measures is set out in summary below and expanded in section 8 of the financial statements.

The underlying performance of the business has shown continued growth, but was affected by the non-recurring costs associated with the Liberty Living acquisition.

| | Unite £m | Liberty Living £m | 2019 £m | 2018 £m |
|---|---|---|---|---|
| EPRA earnings | 103.1 | 7.5 | **110.6** | 88.4 |
| Valuation gains and profit/loss on disposal | | | **198.1** | 153.6 |
| Impairment of goodwill | | | **(384.1)** | – |
| Acquisition costs | | | **(22.8)** | – |
| Changes in valuation of interest rate swaps and debt break costs | | | **(5.4)** | (0.1) |
| Minority interest and tax | | | **2.4** | 3.9 |
| **(Loss)/profit before tax** | | | **(101.2)** | **245.8** |
| EPRA earnings per share | | | **39.1p** | 34.1p |
| Basic earnings per share | | | **(31.5)p** | 90.8p |

The loss before tax of £101.2 million includes the impairment of goodwill and intangibles of £384.1 million, resulting from the acquisition of Liberty Living, which was offset by a higher level of EPRA earnings of £110.6 million and a higher valuation uplift of £198.1 million in 2019 (2018: £88.4 million and £153.6 million respectively). The Liberty Living acquisition was priced on a NAV-for-NAV basis for a total consideration of £1.4 billion. Goodwill was created, and subsequently impaired, in relation to the share element of the consideration issued to CPPIB. This reflected the premium to NAV implied by the share price at completion in late November, following a strong appreciation post-announcement of the transaction.

## Acquisition of Liberty Living and Share Placing

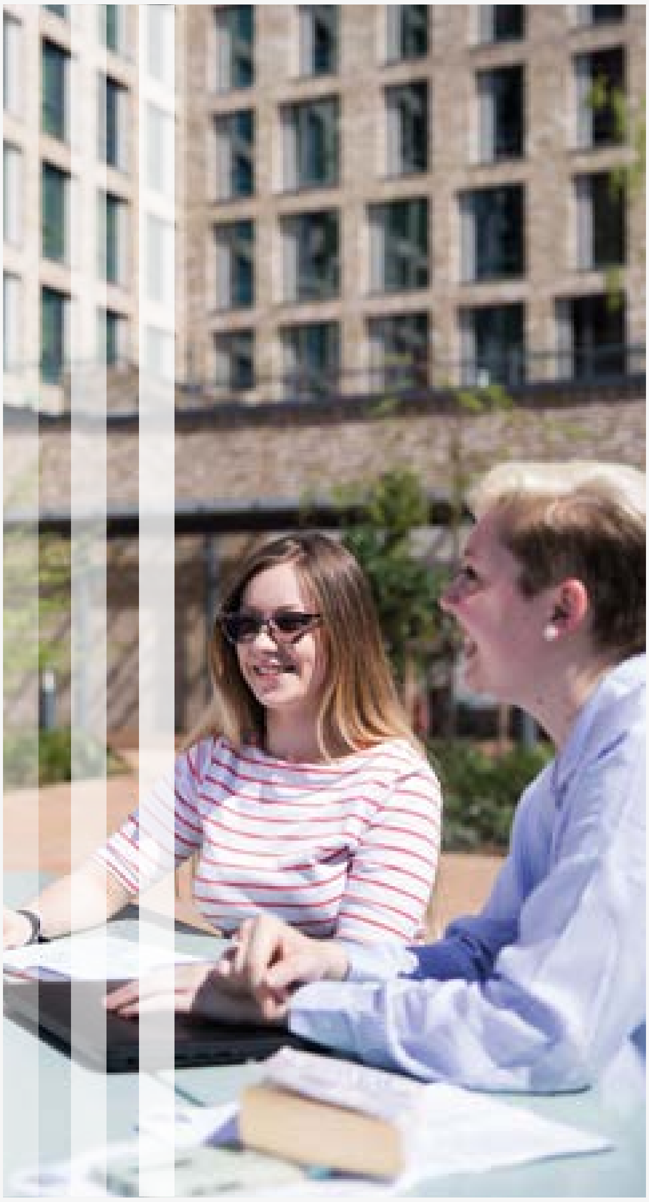
On 3 July 2019, the Company announced that it had agreed to acquire Liberty Living's UK portfolio of purpose-built student accommodation, comprising 24,021 beds across 51 properties, for a total consideration of £1.4 billion. In consideration for the acquisition, CPPIB received approximately 72.6 million new ordinary shares in Unite, representing a 20.0% shareholding in the enlarged Group and total cash consideration of approximately £0.8 billion. The cash consideration was split between £492 million payable by Unite Group PLC from the net proceeds of a share placing in July, existing debt facilities and cash resources. Separately, USAF acquired Liberty Living's properties in Cardiff (3,480 beds in eight properties) for £253 million. The acquisition completed on 29 November 2019.

We completed a placing of 26.4 million new ordinary shares in July 2019 at a price of 985 pence per share, raising gross proceeds of £260 million. The proceeds were used to fund part of the cash consideration for the acquisition of Liberty Living. The Company applied the principles of pre-emption when allocating new shares to those investors that participated in the placing.

The consideration for the acquisition was calculated on a NAV-for-NAV basis as at 31 March 2019, with certain agreed adjustments applied to the EPRA NAVs of Unite and the Liberty Living portfolio. This meant that Unite acquired the Liberty Living business at its EPRA NAV on 31 March 2019. Shares were issued to CPPIB based on Unite's EPRA NAV at the same date, which equated to 827p per share before adjustments for dividends paid before completion. Goodwill arose based on the difference between this issue price and the share price on completion of the transaction on 29 November 2019.

As the acquisition has been accounted for as a business combination, the premium paid over the fair value of the net assets acquired is treated as goodwill in the consolidated balance sheet at the time of acquisition. Goodwill of £377.4 million arising in respect of the transaction was recognised on acquisition. Goodwill and intangible assets were subsequently assessed for impairment. An impairment charge of £384.1 million for the full amount of goodwill recognised on acquisition (£377.4 million) and the fair value of the Liberty Living brand (£6.7 million) has been taken to the consolidated income statement. No portfolio premium has been recognised following the acquisition.

The Board expects the placing and associated acquisition of Liberty Living to be materially accretive to earnings and dividends per share from the year ending 31 December 2020.



# Financial review continued

## Cash flow and net debt

The Operations business generated £85.4 million of net cash in 2019 (2018: £81.2 million) and net debt increased to £1,884 million (2018: £856 million). The key components of the movement in see-through net debt were:

- The acquisition of Liberty Living and associated acquisition costs (generating a total outflow of £1,349 million)
- Net proceeds from the share placing (£255 million)
- The disposal programme (generating total inflows of £243 million)
- Total capital expenditure of £240 million
- Operational cash flow of £85 million
- The impact of new units issued in USAF and our reduced shareholding (£84 million reduction in net debt)
- Dividends paid of £70 million

In 2020, we expect net debt to increase as planned capital expenditure on investment and development activity will exceed anticipated asset disposals.

## Debt financing

The Group maintains a disciplined approach to managing leverage, with see-through LTV of 37% at 31 December 2019 (31 December 2018: 29%).

The increase during the year was primarily driven by the Group's acquisition of Liberty Living. We intend to dispose of £150–200 million of assets per annum to fund our development activity and reduce LTV to a target of 35% by the end of 2021, assuming current yields.

With greater focus on the earnings profile of the business, we are continuing to monitor our net debt to EBITDA ratio, which we target to return to 6–7x over the medium term.

The Unite Group PLC has maintained investment grade corporate ratings of BBB from Standard & Poor's and Baa2 from Moody's, reflecting Unite's robust capital position, cash flows and track record. As a result of the acquisition of Liberty Living, Standard & Poor's and Moody's have affirmed Unite's and Liberty Living's credit ratings and changed the outlook from stable to positive.

## Interest rate hedging arrangements and cost of debt

Our average cost of debt based on current drawn amounts has reduced to 3.3% (31 December 2018: 3.8%) and the Group has 93% of investment debt subject to a fixed or capped interest rate (31 December 2018: 99%) for an average term of 5.4 years (31 December 2018: 5.8 years). The reduction in the average cost of debt during the year reflected the lower-cost debt assumed through the Liberty Living acquisition as well as the redemption of the £90 million of 6.125% retail bonds in December 2019.

We will continue to proactively manage debt maturity profiles and to lock into longer term debt at rates below our current average cost of debt. Borrowings for the combined Group are well diversified across lenders and maturities, with only limited maturities before 2022.

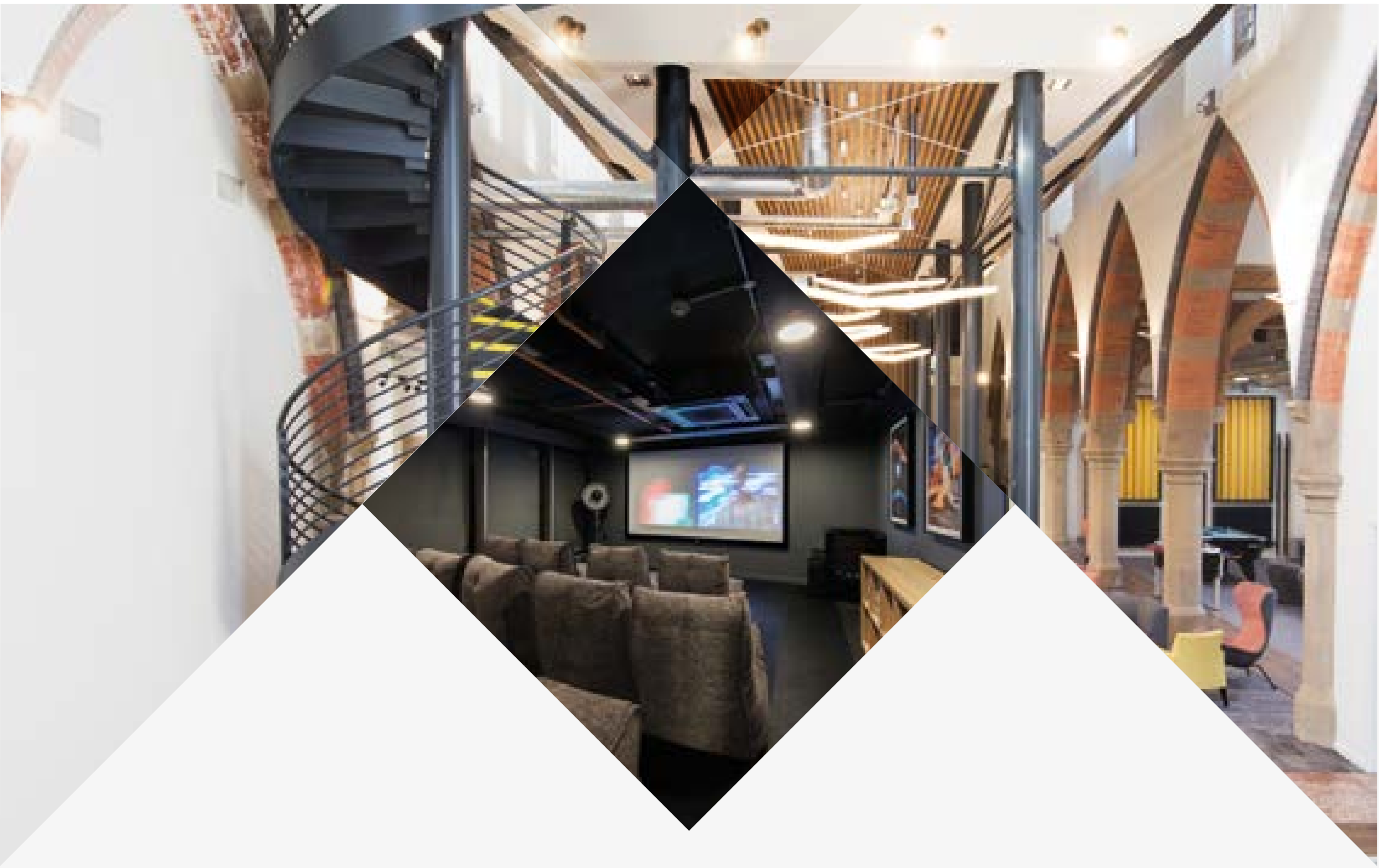
| **Key debt statistics (Unite share basis)** | **31 Dec 2019** | **31 Dec 2018** |
|---|---|---|
| Net debt | **£1,884m** | £856m |
| LTV | **37%** | 29% |
| Net debt:EBITDA ratio | **6.8*** | 6.1 |
| Interest cover ratio | **3.5** | 3.4 |
| Average debt maturity | **5.4 years** | 5.8 years |
| Average cost of debt | **3.3%** | 3.8% |
| Proportion of investment debt at fixed rate | **93%** | 99% |

* 2019 calculation based on average net debt, pro rata for completion of Liberty Living acquisition in late November 2019.

## Amendments to IFRS

The new accounting standard, IFRS 16 Leases, became effective from 1 January 2019. This standard impacts our sale and leaseback portfolio which comprised 2,690 beds across eight properties at 31 December 2019. These properties were sold by the Group between 2004 and 2009 to institutional investors and simultaneously leased back by the Group. The properties have income secured by nomination agreements to offset the lease payment to the institutional owners. The new standard creates a right-of-use asset for leased properties based on net income forecasts and a liability for future lease payments.

At 31 December 2019, due to the recognition of £110.4 million of leased properties and a lease liability of £98.9 million, the LTV of the leased properties is 90%. This causes LTV to increase by 1% on a see-through basis. As this is a result of the accounting treatment for leased properties under the new standard, the Group continues to monitor and present LTV on a pre-IFRS 16 adjustments basis. EPRA Earnings has marginally benefitted from the application of IFRS 16.



The table below shows the impact of adopting the new standard on EPRA Earnings, EPRA NAV and LTV in 2019. Further details of the impact on transition can be found in note 1 of the financial statements.

| | FY2019 pre-IFRS 16 £m | IFRS 16 adjustments £m | FY2019 post-IFRS 16 £m |
|---|---|---|---|
| **Income statement** | | | |
| Net operating income | **160.8** | – | **160.8** |
| Overheads less management fees | **(9.3)** | 1.9 | **(7.4)** |
| Finance costs | **(45.7)** | 1.8 | **(43.9)** |
| Development/other | **1.1** | – | **1.1** |
| **EPRA Earnings** | **106.9** | **3.7** | **110.6** |
| **EPRA EPS (p)** | **37.8** | **1.3** | **39.1** |
| *EBIT margin* | ***70.9%*** | | **71.7%** |
| **Balance sheet** | | | |
| Rental properties | **4,720.4** | – | **4,720.4** |
| Leased properties | **–** | 110.4 | **110.4** |
| Properties under development | **411.8** | – | **411.8** |
| Total property portfolio/GAV | **5,114.2** | 110.4 | **5,224.6** |
| Cash | **114.9** | – | **114.9** |
| Debt | **(1,999.2)** | – | **(1,999.2)** |
| Lease liability | **–** | (98.9) | **(98.9)** |
| Net debt | **(1,884.3)** | (98.9) | **(1,983.2)** |
| Other assets/(liabilities) | **(118.6)** | (13.1) | **(131.7)** |
| **EPRA NAV** | **3,111.3** | **(1.6)** | **3,109.7** |
| **EPRA NAV (p)** | **853** | | **853** |
| *LTV* | ***37%*** | | **38%** |

## **Financial review** continued

### Dividend

We are proposing a final dividend payment of 22.95 pence per share (2018: 19.5 pence), making 33.2 pence for the full year (2018: 29.0 pence). The final dividend will be fully paid as a Property Income Distribution (PID) of 22.95 pence.

Subject to approval at Unite's Annual General Meeting on 7 May 2020, the dividend will be paid in either cash or new ordinary shares (a 'scrip dividend alternative') on 15 May 2020 to shareholders on the register at close of business on 14 April 2020. The last date for receipt of scrip elections will be 23 April 2020.

Further details of the scrip scheme, the terms and conditions and the process for election to the scrip scheme are available on the Company's website.

As a result of the quality, predictable earnings outlook for the business, we are planning to maintain our dividend payout at 85% of EPRA earnings.

### Tax and REIT status

The Group holds REIT status and is exempt from tax on its property business. During the year, we incurred £2.5 million of corporation tax (2018: £4.1 million), relating primarily to profits on our property management activities, and a £2.4 million tax credit in respect of prior years.

The Finance Act 2019 has resulted in the reversal of the deferred tax liability of £24.4 million on investments in USAF units and the corresponding deferred tax asset of £9.9 million on losses, resulting in a £14.5 million increase in net asset value.

**14%**
growth in full year dividend

## Funds and joint ventures

The table below summarises the key financials at 31 December 2019 for each vehicle.

| | Property Assets £m | Net debt £m | Other assets £m | Net assets £m | Unite share of NAV £m | Maturity | Unite share |
|---|---|---|---|---|---|---|---|
| USAF | **2,850** | **(858)** | **(9)** | **1,983** | **437** | **Infinite** | **22%** |
| LSAV | **1,335** | **(490)** | **(21)** | **824** | **412** | **2022/2027** | **50%** |

USAF and LSAV have performed well in the year to 31 December 2019. LSAV has delivered a strong performance based on rental growth and yield compression in London. USAF's performance is in line with the broader performance of the business.

In May, USAF raised £250 million of new equity from external investors to fund new acquisitions. Unite did not participate in the equity raise, meaning its stake in USAF reduced from 25% to 22%. We sold five assets to USAF for a total consideration of £202 million during the year (Unite share £153 million), located in Portsmouth, Leeds, Birmingham and Newcastle. In addition, USAF acquired two properties in Newcastle in June for a total of £34 million, including allowance for an extensive refurbishment of both properties.

Furthermore, as part of the acquisition of Liberty Living, USAF acquired Liberty Living's Cardiff properties, totalling 3,480 beds for £253 million. USAF retains around £200 million of acquisition capacity and will continue to monitor acquisition opportunities to further improve the quality of the portfolio.

### Fees

During the year to 31 December 2019, the Group recognised net fees of £22.3 million from its fund and asset management activities (2018: £15.6 million). The increase was driven by growth in NOI and asset valuations, the acquisition fee received from USAF in relation to the purchase of Liberty Living's Cardiff properties and initial recognition of a net performance fee from LSAV.

The London portion of our LSAV joint venture has a maturity in 2022. Discussions are ongoing with our joint venture partner GIC over the future of the vehicle. The joint venture has performed well over its life and we continue to see an opportunity to realise value from the performance fee payable to Unite at maturity. The 2019 results recognise an initial £5.7 million of this fee (£4.6 million net of tax) and, based on current expectations, Unite's remaining share of the performance fee is expected to be c.£15–20 million net of tax. The performance fee is payable at the end of the life of the joint venture and is based on the cash realised to the joint venture partners. The remaining fee will be realised over the period until the vehicle's scheduled maturity in 2022, subject to the performance, outlook and discussions with GIC over the future of the fund. Further detail can be found in note 2.4 to the financial statements.

| | 2019 £m | 2018 £m |
|---|---|---|
| USAF asset management fee | **11.2** | 10.2 |
| LSAV asset and property management fee | **3.2** | 3.0 |
| USAF acquisition fee | **2.2** | – |
| Net performance fee | **5.7** | |
| Unite disposal management fee | **–** | 2.4 |
| **Total fees** | **22.3** | **15.6** |

# Responsible business review

We are committed to creating a Home for Success and operating as a responsible business. Having clear focus areas helps us add strategic value to our business and increase our impact.

## Summary

Up to uS is all about how we operate as a business, ensuring that we act both responsibly and sustainably in delivering our Home for Success purpose across all aspects of our business.

Up to uS sets out four Responsible Business objectives: reducing our negative environmental impacts; delivering a positive social impact for young people and the communities we work in; creating diverse and engaged teams and looking after the interests of our customers, investors and partners. The infographic on the next page highlights how the four key areas of Up to uS act as a foundation to grow and deliver a Home for Success.

You can read more about how we engage with our stakeholders on pages 32 and 33.

It's more than just a responsible business policy or ESG reporting, it's about how we all contribute to creating an all-round sustainable business, both now and in the future.

Our CFO, Joe Lister, chairs our quarterly Up to uS Committee, bringing together senior leaders to coordinate and oversee our approach and initiatives, managing risks and opportunities within this mandate.

We believe human rights are universal and recognise that the UN Guiding Principles on Business and Human Rights set a standard of conduct expected of companies. We do our best to ensure that everyone involved or associated with our business is protected, treated fairly and subject to our anti-bribery and corruption, health and safety, anti-slavery and other policies, including those covering data protection, performance management, flexible working, grievances, leave, and quality and diversity.

Further details of Up to uS can be found on our website, and we'll be publishing a stand-alone sustainability report later this year. This will provide more detail on our approach and ambition on sustainability, as well as setting out stretching new targets for our enlarged business.

### ESG Ratings and reporting

Updated ESG ratings have been undertaken by various external rating agencies:

- **MSCI:** rated us as 'AA', placing us in the top 28%
- **GRESB:** Sector Leader in the European Listed Residential sector
- **EPRA sBPR:** Silver, and Most Improved Award in 2019
- **FTSE-Russel:** retained our listing on the FTSE4Good index, significantly outperforming our sector average scores.
- **ISS-oekom:** awarded us 'Prime' status, with a rating of C+, putting us in the top 10% of companies they've assessed.
- **CDP:** C rated

## Non-financial information statement

| | | | |
|---|---|---|---|
| **Colleagues** | Group Health and Safety Policy<br>Employee Handbook<br>Equality, Diversity and Inclusion policy<br>Trans and gender identity policy<br>Whistleblowing policy<br>Directors' Remuneration Report<br>Read more about **Colleagues on page 83** | **Anti-corruption and bribery** | Anti-bribery policy<br>Read more about **Anti-corruption and bribery on page 74** |
| **Environmental matters** | Environment policy<br>Statement on carbon reduction/target<br>Read more about **Environmental matters on page 76** | **Description of principal risks and impact of business activity** | Read more about **Principal risks and impact of business activity on pages 44 to 55** |
| **Human rights** | Unite Group code of ethics<br>Modern Slavery statement<br>Data Protection Policy<br>Read more about **Human rights on page 74** | **Description of the business model** | Read more about **Our business model on pages 30 and 31** |
| **Social matters** | Up to Us strategy<br>Volunteering Policy<br>Fundraising guidelines<br>Charity Policy including matched giving<br>Read more about **Social matters on pages 81 and 82** | **Non-financial key performance indicators** | Read more about our **Non-financial KPIs on page 41** |

## 1 Reduce our environmental impact

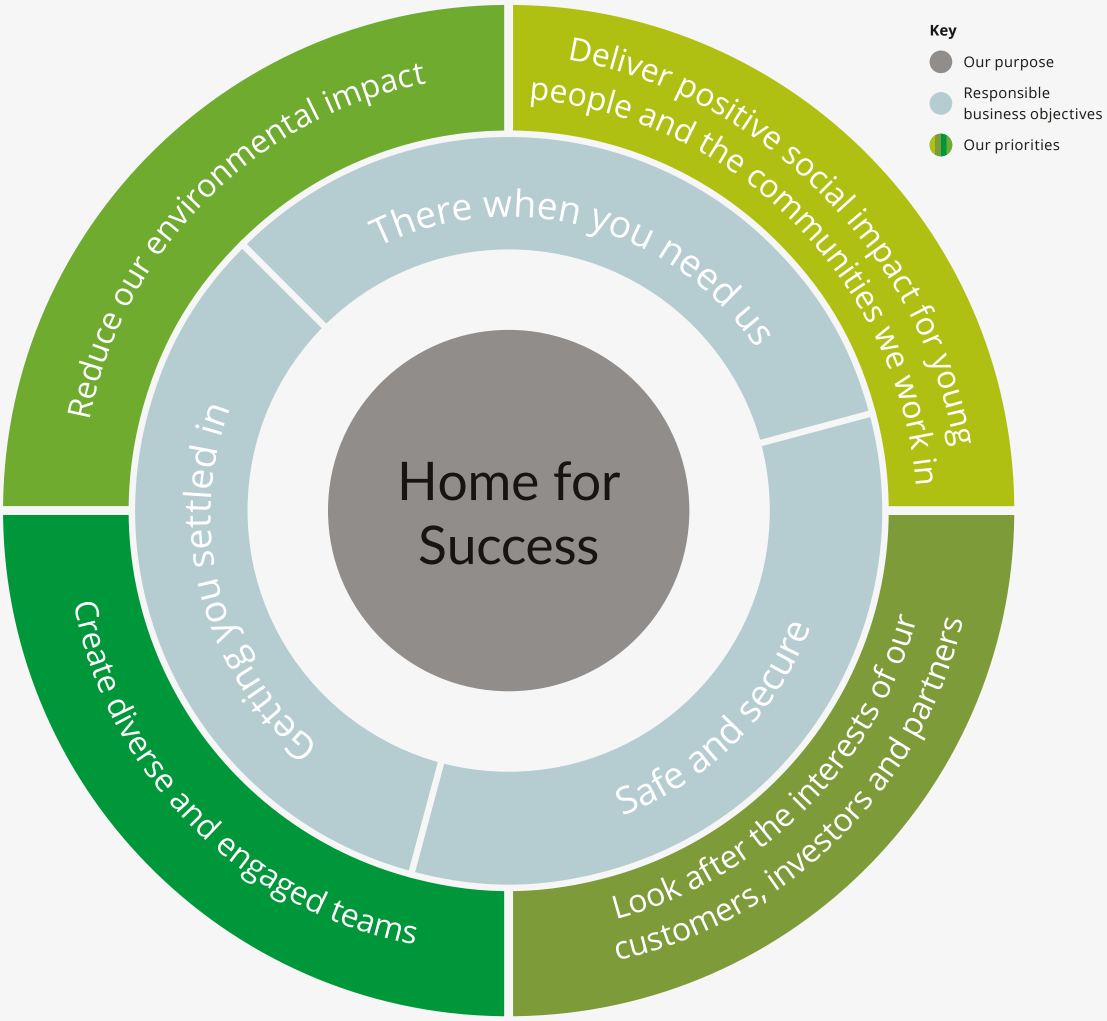
Maximise the business benefits of reducing our energy and carbon, water and resource use and waste and encourage responsible behaviour in our employees, customers and suppliers.

Read more **on page 76**

## 2 Deliver positive social impact for young people and the communities we work in

Deliver positive social impacts to help young people succeed in further education and build sustainable lives, while supporting the communities we work in.

Read more **on page 81**




## 3 Create diverse and engaged teams

Create a truly diverse and engaged workforce where people are passionate about the work they do, and feel valued and recognised for the contribution they make.

Read more **on page 83**

## 4 Look after the interests of our customers, investors and partners

Develop lasting, trusted and transparent relationships with investors, Universities and suppliers, while meeting the needs of our customers.

Read more **on page 84**

**Responsible business review** continued

# 1 Reduce our environmental impact

At Unite Students one of our values is 'do what's right', and for us that includes working hard to reduce the impact our operations have on the environment. We recognise the serious and imminent threat posed by climate change, and that we have a responsibility to reduce our contribution by cutting carbon emissions and helping our customers adopt lasting responsible living habits. We've made some good progress so far and have achieved a 10% reduction in total energy use on a per bed basis since 2014. In keeping with the energy hierarchy this focus on reducing consumption is central to our Energy and Environment Strategy, but we've also made good progress in decarbonising our energy supply, and all electricity purchased on our Group supply contract (96% in 2019) is backed up with REGOs (Renewable Energy Guarantee of Origin Certificates) meaning it is 100% renewable and can be traced back to source. Following the recent Liberty Living acquisition, we'll be ramping up our focus on energy and carbon reduction and will be announcing ambitious new targets later in 2020.

Although climate change is the biggest environmental challenge we face, we don't stop there. Our Energy and Environment Strategy focuses on all of our most significant environmental impacts which also include water, resource use and waste.

## Renewable Energy Focus

**As a responsible business, we've always placed a strong emphasis on saving energy and improving our energy efficiency. After all, energy consumption constitutes not only one of our largest operating costs, but also one of our most significant sources of carbon emissions.**

The next step, if you follow the energy hierarchy, is to look at sustainable energy production – both through purchasing credible, traceable renewable electricity from the National Grid, as well as through generating as much of our own energy from renewable sources.

Last year we embarked on a solar PV retrofit project, installing panels of more than 410kW across four sites. This array will generate enough green energy to power around 85 average UK homes.

Going forwards, we are looking at further opportunities to install more PV across our portfolio.

Since May 2017, we've been purchasing 100% renewable energy, backed by the Renewable Energy Guarantee of Origin Certificate (REGO). We are also working to complete a Corporate Power Purchase Agreement (PPA) that will see around 30% of our electricity sourced from a single wind farm in Scotland, creating an even stronger link back to the source of our power. It is expected that the PPA will be completed and signed off early in 2020.

100%

**Renewable energy purchased since May 2017**

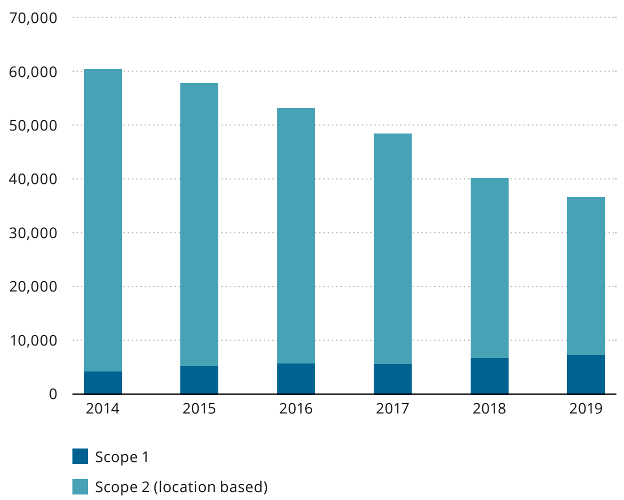
During 2019 we installed over 400kWp of solar PV and continued the rollout of smart networked heating controls, to deliver significant improvements in energy performance and customer experience. We also rolled out water saving measures including flow regulated taps and showers and more efficient WCs, saving over 25,000,000 litres of water during 2019; that's more than two Olympic swimming pools.

This, together with ongoing grid decarbonisation, has helped us continue our downward trend in carbon emissions, with absolute combined scope 1 and location based scope 2 (emissions from direct combustion of fossil fuels such as in gas boilers and Company owned vehicles, and emissions from electricity and heat consumed on our sites based on UK National Grid emissions intensity respectively) compared to 2014 falling by 47.9%. When the impact of us purchasing REGO backed renewable power is taken into account then absolute combined scope 1 and market based 2 emissions have fallen by 94.4% since 2014.

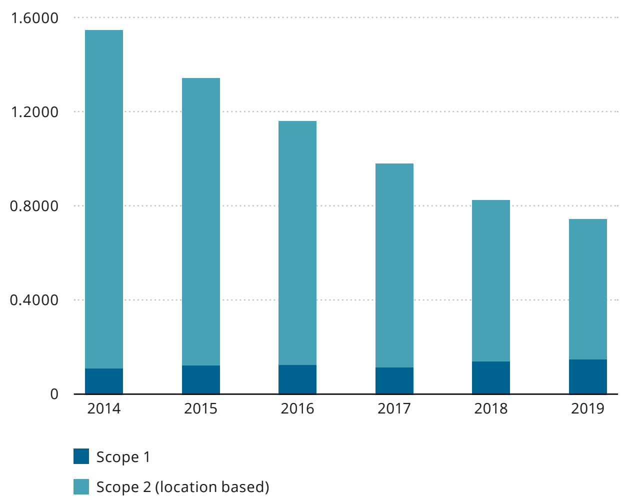
As a member of the Innovation Gateway, a partnership of organisations committed to improving the performance of their properties, we work with other leading partners including RBS, Tesco, Heathrow Airport, DEFRA, BT and University of Birmingham to share the risks and benefits of sourcing and developing innovative solutions to sustainability challenges we face. As well as playing a part in the Innovation Gateway picking up various industry awards, our in-house energy and environment strategy was also recognised with our Group Energy Manager receiving the 2019 Energy Management Leader of the Year award at the prestigious EDIE Sustainability Leaders Awards.

In addition to purchasing REGO backed electricity since 2017, during 2019 we have been working to develop a corporate power purchase agreement (PPA) with our supply chain covering about 30% of our electricity consumption (excluding Liberty Living properties). This will provide even stronger links back to the renewable source of power. It is expected that this corporate PPA will be finalised in the first-half of 2020 and leave the option open for further portions of our energy consumption to be linked under similar agreements to further renewable power generators. This approach stimulates demand for additional renewable power generation, further decarbonising the grid supply.

**Whole estate Scope 1 + Scope 2 (location based) emissions, absolute**




**Whole estate Scope 1 + Scope 2 (location based) emissions, per bed per year**



## Responsible business review continued

1

# Reduce our environmental impact continued

| ESTATE DATA | 2017 Data | 2017 Change vs base year (2014) | 2017 Change vs prior year | 2018 Data | 2018 Change vs base year (2014) | 2018 Change vs prior year | 2019 Data | 2019 Change vs base year (2014) | 2019 Change vs prior year |
|---|---|---|---|---|---|---|---|---|---|
| Year end bed numbers | 49,506 | 15.03% ▲ | 1.79% ▲ | 48,726 | 13.21% ▲ | -1.58% ▼ | 49,992 | 16.16% ▲ | 2.60% ▲ |
| Carbon contributing bed numbers | 49,528 | 26.59% ▲ | 7.84% ▲ | 48,804 | 24.74% ▲ | -1.46% ▼ | 49,242 | 25.86% ▲ | 0.90% ▲ |
| Carbon contributing floor area ($m^2$) | 1,411,279 | 22.98% ▲ | 10.08% ▲ | 1,391,455 | 21.25% ▲ | -1.40% ▼ | 1,400,011 | 22.00% ▲ | 0.61% ▲ |

| ENERGY & WATER USE | 2017 Consumption | 2017 Change vs base year* | 2017 Change vs prior year | 2018 Consumption | 2018 Change vs base year* | 2018 Change vs prior year | 2019 Consumption | 2019 Change vs base year* | 2019 Change vs prior year |
|---|---|---|---|---|---|---|---|---|---|
| **Natural gas** | | | | | | | | | |
| Absolute (kWh) | 30,700,364 | 31.60% ▲ | 5.6% ▲ | 36,632,735 | 57.03% ▲ | 19.3% ▲ | 39,616,444 | 69.82% ▲ | 8.1% ▲ |
| Relative to bed numbers (kWh/bed) | 620 | 3.96% ▲ | -2.1% ▼ | 751 | 25.89% ▲ | 21.1% ▲ | 805 | 34.93% ▲ | 7.2% ▲ |
| Relative to floor area (kWh/$m^2$) | 21.8 | 7.01% ▲ | -4.1% ▼ | 26.3 | 29.51% ▲ | 21.0% ▲ | 28.3 | 39.20% ▲ | 7.5% ▲ |
| **Electricity** | | | | | | | | | |
| Absolute (kWh) | 116,256,064 | 3.85% ▲ | 3.3% ▲ | 109,881,655 | -1.85% ▼ | -5.5% ▼ | 106,148,132 | -5.18% ▼ | -3.4% ▼ |
| Relative to bed numbers (kWh/bed) | 2,347.26 | -17.97% ▼ | -4.2% ▼ | 2,251.49 | -21.31% ▼ | -4.1% ▼ | 2,155.66 | -24.66% ▼ | -4.3% ▼ |
| Relative to floor area (kWh/$m^2$) | 82.38 | -15.56% ▼ | -6.1% ▼ | 78.97 | -19.05% ▼ | -4.1% ▼ | 75.82 | -22.28% ▼ | -4.0% ▼ |
| **Heat** | | | | | | | | | |
| Absolute (kWh) | 9,196,679 | 187.21% ▲ | 92.6% ▲ | 11,793,033 | 268.30% ▲ | 28.2% ▲ | 11,775,682 | 267.76% ▲ | -0.1% ▼ |
| Relative to bed numbers (kWh/bed) | 185.68 | 126.88% ▲ | 78.6% ▲ | 241.64 | 195.26% ▲ | 30.1% ▲ | 239.14 | 192.20% ▲ | -1.0% ▼ |
| Relative to floor area (kWh/$m^2$) | 6.52 | 133.54% ▲ | 75.0% ▲ | 8.48 | 203.74% ▲ | 30.1% ▲ | 8.41 | 201.44% ▲ | -0.8% ▼ |
| **TOTAL ENERGY (gas + electricity + heat)** | | | | | | | | | |
| Absolute (kWh) | 156,153,106.91 | 12.76% ▲ | 6.7% ▲ | 158,307,422.92 | 14.32% ▲ | 1.4% ▲ | 157,540,258.50 | 13.76% ▲ | -0.5% ▼ |
| Relative to bed numbers (kWh/bed) | 3,152.80 | -10.92% ▼ | -1.1% ▼ | 3,243.74 | -8.35% ▼ | 2.9% ▲ | 3,199.33 | -9.61% ▼ | -1.4% ▼ |
| Relative to floor area (kWh/$m^2$) | 110.65 | -8.31% ▼ | -3.1% ▼ | 113.77 | -5.72% ▼ | 2.8% ▲ | 112.53 | -6.75% ▼ | -1.1% ▼ |
| **Water** | | | | | | | | | |
| Absolute ($m^3$) | 2,193,535 | 20.55% ▲ | -1.1% ▼ | 2,452,769 | 34.80% ▲ | 11.8% ▲ | 1,954,648 | 7.42% ▲ | -20.3% ▼ |
| Relative to bed numbers ($m^3$/bed) | 44.3 | 4.87% ▲ | -8.3% ▲ | 50.3 | 19.00% ▲ | 13.5% ▲ | 39.7 | -6.01% ▼ | -21.0% ▼ |
| Relative to floor area ($m^3/m^2$) | 1.6 | -6.29% ▼ | -10.2% ▼ | 1.8 | 6.28% ▲ | 13.4% ▲ | 1.4 | -15.82% ▼ | -20.8% ▼ |

* 2014 for energy, 2015 for water.

▲ Increased
▼ Decreased
– No Data

| GREENHOUSE GAS EMISSIONS | 2017 Emissions | 2017 Change vs base year** | 2017 Change vs prior year | 2018 Emissions | 2018 Change vs base year** | 2018 Change vs prior year | 2019 Emissions | 2019 Change vs base year** | 2019 Change vs prior year |
|---|---|---|---|---|---|---|---|---|---|
| **Total Scope 1 emissions** | | | | | | | | | |
| Absolute (tonnes $CO_2e$) | 5,768 | 31.3% ▲ | -1.0% ▼ | 6,851 | 55.9% ▲ | 18.8% ▲ | 7,397 | 68.3% ▲ | 8.0% ▲ |
| Relative to bed numbers (tonnes $CO_2e$/bed) | 0.1165 | 3.7% ▲ | -8.2% ▼ | 0.1404 | 25.0% ▲ | 20.5% ▲ | 0.1502 | 33.8% ▲ | 7.0% ▲ |
| Relative to floor area (kg $CO_2e/m^2$) | 4.09 | 6.7% ▲ | -10.1% ▼ | 4.92 | 28.6% ▲ | 20.5% ▲ | 5.28 | 38.0% ▲ | 7.3% ▲ |
| **Total Scope 2 emissions (location based)** | | | | | | | | | |
| Absolute (tonnes $CO_2e$) | 42,687 | -23.8% ▼ | -9.8% ▼ | 33,315 | -40.5% ▼ | -22.0% ▼ | 29,205 | -47.9% ▼ | -12.3% ▼ |
| Relative to bed numbers (tonnes $CO_2e$/bed) | 0.8619 | -39.8% ▼ | -16.4% ▼ | 0.6826 | -52.3% ▼ | -20.8% ▼ | 0.5931 | -58.6% ▼ | -13.1% ▼ |
| Relative to floor area (kg $CO_2e/m^2$) | 30.25 | -38.0% ▼ | -8.2% ▼ | 23.94 | -51.0% ▼ | -20.8% ▼ | 20.86 | -57.3% ▼ | -12.9% ▼ |
| **Total Scope 2 emissions (market based)** | | | | | | | | | |
| Absolute (tonnes $CO_2e$) | 22,927 | -58.6% ▼ | -51.2% ▼ | 2,359 | -95.7% ▼ | -89.7% ▼ | 3,128 | -94.4% ▼ | 32.6% ▲ |
| Relative to bed numbers (tonnes $CO_2e$/bed) | 0.4629 | -67.3% ▼ | -54.8% ▼ | 0.0483 | -96.6% ▼ | -89.6% ▼ | 0.0635 | -95.5% ▼ | 31.4% ▲ |
| Relative to floor area (kg $CO_2e/m^2$) | 16.25 | -66.4% ▼ | -55.7% ▼ | 1.70 | -96.5% ▼ | -89.6% ▼ | 2.23 | -95.4% ▼ | 31.8% ▲ |
| **Total Scope 1+2 emissions (location based)** | | | | | | | | | |
| Absolute (tonnes $CO_2e$) | 48,454 | -19.8% ▼ | -8.9% ▼ | 40,166 | -33.5% ▼ | -17.1% ▼ | 36,601 | -39.4% ▼ | -8.9% ▼ |
| Relative to bed numbers (tonnes $CO_2e$/bed) | 0.9783 | -36.6% ▼ | -15.5% ▼ | 0.8230 | -46.7% ▼ | -15.9% ▼ | 0.7433 | -51.9% ▼ | -9.7% ▼ |
| Relative to floor area (kg $CO_2e/m^2$) | 34.33 | -34.8% ▼ | -17.2% ▼ | 28.87 | -45.2% ▼ | -15.9% ▼ | 26.14 | -50.3% ▼ | -9.4% ▼ |
| **Total Scope 1+2 emissions (market based)** | | | | | | | | | |
| Absolute (tonnes $CO_2e$) | 28,695 | -52.0% ▼ | -45.7% ▼ | 9,210 | -84.6% ▼ | -67.9% ▼ | 10,524 | -82.4% ▼ | 14.3% ▲ |
| Relative to bed numbers (tonnes $CO_2e$/bed) | 0.5794 | -62.1% ▼ | -49.6% ▼ | 0.1887 | -87.7% ▼ | -67.4% ▼ | 0.2137 | -86.0% ▼ | 13.3% ▲ |
| Relative to floor area (kg $CO_2e/m^2$) | 20.33 | -61.0% ▼ | -50.6% ▼ | 6.62 | -87.3% ▼ | -67.4% ▼ | 7.52 | -85.6% ▼ | 13.6% ▲ |

** Base year = 2014.

▲ Increased
▼ Decreased
– No Data

## **Responsible business review** continued

# 1 Reduce our environmental impact continued

| GREENHOUSE GAS EMISSIONS | 2017 Emissions | 2017 Change vs base year** | 2017 Change vs prior year | 2018 Emissions | 2018 Change vs base year** | 2018 Change vs prior year | 2019 Emissions | 2019 Change vs base year** | 2019 Change vs prior year |
|---|---|---|---|---|---|---|---|---|---|
| **Total verifiable Scope 3 emissions** | | | | | | | | | |
| Absolute (tonnes $CO_2$e) | 14,602 | -1.4% ▼ | -4.6% ▼ | 11,666 | -21.2% ▼ | -20.1% ▼ | 9,858 | -33.4% ▼ | -15.5% ▼ |
| Relative to bed numbers (tonnes $CO_2$e/bed) | 0.2948 | -22.1% ▼ | -11.5% ▼ | 0.2390 | -36.8% ▼ | -18.9% ▼ | 0.2002 | -47.1% ▼ | -16.2% ▼ |
| Relative to floor area (kg $CO_2$e/$m^2$) | 10.35 | -19.8% ▼ | -13.3% ▼ | 8.38 | -35.0% ▼ | -19.0% ▼ | 7.04 | -45.4% ▼ | -16.0% ▼ |
| **Total non-verifiable Scope 3 emissions** | | | | | | | | | |
| Absolute (tonnes $CO_2$e) | – | – – | – – | 114,623 | – – | – – | 106,289 | – – | -7.3% ▼ |
| Relative to bed numbers (tonnes $CO_2$e/bed) | – | – – | – – | 2,348.64 | – – | – – | 2,158.51 | – | -8.1% ▼ |
| Relative to floor area (kg $CO_2$e/$m^2$) | – | – – | – – | 82.38 | – – | – – | 75.92 | – – | -7.8% ▼ |
| **Total of verifiable and non-verifiable Scope 3 emissions** | | | | | | | | | |
| Absolute (tonnes $CO_2$e) | – | – – | – – | 126,289 | – – | – – | 116,147 | – – | -8.0% ▼ |
| Relative to bed numbers (tonnes $CO_2$e/bed) | – | – – | – – | 2,348.88 | – – | – – | 2,158.71 | – – | -8.1% ▼ |
| Relative to floor area (kg $CO_2$e/$m^2$) | – | – – | – – | 90.76 | – – | – – | 82.96 | – – | -8.6% ▼ |

** Base year = 2014.

▲ Increased
▼ Decreased
– No Data

**Table Notes:**

GHG emissions calculated in line with HM Government's 'Environmental Reporting Guidelines: Including streamlined energy and carbon reporting March 2019 (Updated Introduction and Chapters 1 and 2)' and the GHG Protocol. Emissions have been independently verified to a level of 'Reasonable Assurance' against the requirements of ISO14064-3:2006 by SGS UK Ltd.

'Per bed' emissions and energy consumption have been calculated using 'carbon contributing bed numbers', which are a pro rata share of each site's total bed numbers based on the number of months it was in scope during the reporting period. E.g. a 100 bed site that was only in scope for six months due to disposal would be taken to have only 50 carbon contributing beds during the reporting period.

Scope 1 emissions include gas consumed in properties, and fuel consumed in business vehicles.

Scope 2 emissions include grid electricity consumption, and district heating consumption in properties.

Verifiable Scope 3 emissions include Category 1 (Purchased goods and services – water), Category 3 (Fuel and energy-related activities including T&D and WTT emissions), Category 6 (Business travel – including direct and indirect (WTT and T&D) emissions from flights (including RF), and rail travel), where verifiable data sources exist.

Non-verifiable Scope 3 emissions include Category 1 (Purchased goods and services – operation and management of real estate assets, calculated using QUANTIS Scope 3 screening tool based on spend), Category 2 (Capital goods – new properties, calculated using QUANTIS Scope 3 screening tool), Category 5 (Waste Generated in Operations), and Category 7 (Employee commuting), where insufficient data is available to verify in accordance with the requirements of ISO 14064-3:2006.

Emissions factors used are the 2019 'UK Government emission conversion factors for greenhouse gas company reporting', although Market Based Scope 2 emissions are calculated using the supplier's contractual emissions factor which is zero for 96.5% of electricity (this amount is fully backed by REGOs).

More detailed breakdown of emissions, including by asset and category, are reported via schemes including the CDP Climate Change Disclosure and GRESB Real Estate Assessment.

# 2 Deliver positive social impact for young people and the communities we work in

We are committed to helping our employees and students adopt lasting, responsible living and working habits, through an employee and customer engagement programme. We do this through our work with the National Union of Students (NUS) and their Positive Impact Awards. Now in its sixth year, our Positive Impact programme continues to grow and evolve as a way of delivering for stakeholders. In 2019 our network of Positive Impact Leads helped 24 of our city teams achieve NUS Positive Impact Awards, eight of which were Gold Awards.

Positive Impact aligns with our broader responsible business focus 'Up to uS', and incorporates key themes including health and safety, social impact and wellbeing, as well as the environment.

We believe all young people deserve a Home for Success and have committed to helping them succeed in Higher Education and in developing sustainable living practices. A key aspect of this is to ensure that young people transitioning to University are well prepared for independent living and supported in maintaining and growing healthy relationships.

Our student research consistently tells us that student expectations before University are different to the reality when they arrive. As a result we developed Leapskills, our resilience workshop designed to support sixth formers. The aim of the programme is to reduce this expectation gap and better prepare students for the leap to University. The importance and value of this initiative was acknowledged by the Department for Education who publicly endorsed the launch of our digital Leapskills platform in July 2019.

To date, 64 educational institutions have signed up for the resource, meaning over 1,700 students are better prepared for University. We have plans to further develop the programme and extend its reach over the coming year.

The feedback from students and teachers alike is incredibly positive.

"It gave me a good insight into University life and the financial aspects." – Year 12 student.

"These sessions afforded our students the ability to reflect on University life and to consider how they can best prepare for it in terms of establishing support networks and fostering social relationships and friendship groups. Our survey indicated that students' confidence levels in terms of their knowledge and understanding of University life more than doubled by the end of the session." – Sixth Form Teacher.

We also continue to deliver social value by supporting Universities to widen participation into Higher Education and helping to improve outcomes for students.

The Unite Foundation helps estranged and care experienced students who do not have family financial support to access Higher Education. Working with 27 Universities, the Foundation has provided wrap-around support to 189 students for the 2019/20 academic year, and over 430 students in total since 2012. 92% of Unite Foundation scholars have continued their studies through to their second year. With only 6% of care-leavers under the age of 21 attending University in the UK, and almost half not continuing their studies past their first year, this shows the significance of the Foundation's support.

Placer is a service that gives students a platform to find work experience positions they may have struggled to find through traditional routes or word of mouth. There are nine Universities who are live on Placer with a further six Universities committed to sign-up for the 2019/20 academic year. 4,124 positions from employers including Enterprise-Rent-A-Car, HSBC, GSK and EY have appeared to 7,000 students, with 25,000 saved to student shortlists and 2,000 clicks to apply. The app levels the playing field so students from any background have the opportunity to find relevant work experience positions to boost their career prospects.

**Increase on last year's charitable contributions**

27%

# 2 Deliver positive social impact for young people and the communities we work in continued

The importance of community is paramount to our Up to uS objectives and we work hard to support the local areas we live and work in. 2019 saw over a 20% increase on last year's charitable contributions with over £600,000 donated to regional and national charities across the UK (excluding the Unite Foundation). These funds have been raised and donated through direct and facilitated giving, as well as in-kind donations. Supporting charitable organisations that align with our Home for Success purpose and values is important to us and we always seek to maximise the opportunity to raise awareness with our customers in the hope they become the future generation of supporters. Each year our city teams and head office nominate a local charity to support for the academic year. Each charity has young people as a key beneficiary and our people work to engage students and colleagues with them through fundraising events and volunteering. This regional activity runs alongside our two national charity partnerships: The British Heart Foundation and Into University.

The British Heart Foundation partnership forms a key part of our sustainable behaviour programme which encourages students to recycle and reuse unwanted goods, culminating in donations of £330,000 for the year. To date, over 1,000 students and employees have also successfully completed life-saving CPR training provided by BHF.

Volunteering also provides the opportunity for both our employees and our students to engage with local communities. By providing our resources and expertise to organisations, we can make a tangible difference while encouraging motivation and engagement amongst employees. Employee volunteering has been running for five years and allows employees to take one day, or 7.5 hours, out of their schedule to volunteer for local charities/ organisations that support young people. Our work with local charities, which allows our teams to make more impact on a regional scale, combined with the overarching impact offered by the national partnerships, creates a powerful opportunity for us to make a valuable contribution to charities, employees and students alike.

We view all developments as our long-term commitment to a local area. From the outset on any scheme, we look to understand the important issues through discussion with ward councillors, resident groups, community councils and nearby businesses. Our approach is to address as many of these issues as we can with our proposals. Early engagement with our neighbours has helped deliver award-winning buildings, promoting collaboration between local communities and the student population.

Ensuring dialogue continues during the development process and into the operational phase, strengthens the deliverability of any considered benefits. Providing targeted s106 contributions, localised bursaries and rooms at affordable rents contributes directly to the local community, while also helping to deliver a high-quality, value-for-money product for students. There is also recognition from many local authorities that purpose-built student accommodation frees up general housing, so that it can be returned for use by young families and professionals.

£663,891 **Donated to regional and national charities across the UK**

# 3 Create diverse and engaged teams

A key pillar of delivering Home for Success is the quality, diversity and engagement of our people. It is only through a well-led, engaged team that our customers experience our best service. We place great emphasis on engaging and training our teams so that they can focus all of their energy on serving our customers.

This year we have changed our People model so that local managers take greater accountability for recruiting, developing and leading their teams. We continue to use engagement as our core measure of success in this area. We increased our overall engagement score to 78% and continue to hold Investors in People Gold status as well as being an accredited Real Living Wage employer.

We introduced new People systems to improve local accountability of managers for People matters, as well as employee self-service, giving colleagues access to their own information about pay and employment details. A new Employee app is planned for roll out in the coming months, helping managers and employees to access the information they need to work effectively.

Our approach to employee communication was further enhanced with monthly Team Talk meetings designed to update all employees on how the business is progressing. Our Employee Panels, attended by a member of the Group Board, provided a further channel for two-way communication, building on the feedback we already receive through other channels including our regular engagement surveys.

Significant attention has also been given to welcoming our new employees from Liberty Living into Unite Students. Following completion of the acquisition in November, our approach was designed to demonstrate the values of Unite and to provide a very personal introduction to the business. We continue to listen to the ideas and expertise of our Liberty Living teams so that we can deliver an even better experience for our customers. We will hold a national all-employee event in 2020 to thank, excite and motivate our people about our combined future and help bring to life our Home for Success purpose.

We continue to recognise the contribution of our people through a local and national Round of Applause scheme, which is based on employee nomination. A new national awards event will bring together the best contributors from both Liberty Living and Unite Students in another drive to bring the cultures of both businesses closer together.

Our senior management teams are championing a range of diversity and inclusion actions, including balanced shortlists, reverse mentoring and an 'open chair' at Operations Board meetings. The open chair enables diverse thinking and ideas to be surfaced at the most senior levels. Participants can come from any area of the business, the aim being to provide the Operations Board with insight and challenge by introducing different perspectives on key topics.

We are looking to enhance our shared parental leave and paternity policies during 2020, to offer a better work/life balance and greater flexibility for our people with families.

In 2019 we changed our employee benefit provider to Lifeworks to enhance benefits available to our people, including access to welfare services and discounts in a range of retail shops. Following the results of the BSC Occupational Health and Safety audit, we have identified areas for improvement around our employee wellbeing offer, which we will look to address in 2020.

78% **Employee engagement score**

1,900 **FTE employee numbers**

# 4 Look after the interests of our customers, investors and partners

We are committed to ensuring that we keep the interests of our key external stakeholders at the heart of what we do. This means the interests of the students who live with us, the Universities that partner with us, and the organisations and individuals who invest in Unite Students. Doing so is a fundamental part of ensuring we continue to be a sustainable, responsible and successful business. We work to make a difference in areas as diverse as safety, mental health and wellbeing and affordability.

You can read more about how we do this for each of these stakeholder groups on pages 32 and 33.

Safety forms a key part of how we operate as a responsible business, underpinned by our commitment to go above and beyond minimum standards to provide the safest and most secure environment for our students and employees.

We continue to work closely with the Department for Communities and Local Government and local fire authorities and experts to address any remedial actions following the Grenfell Tower tragedy. We have removed Aluminium Composite Materials (ACM) cladding from our buildings in line with Government advice and are undertaking a thorough review of the use of High-Pressure Laminate (HPL) on our properties. If we need to take further action in line with Government advice, we will. We are committed to doing what's right, in line with our values.

In 2019, we also implemented the Fire Risk Management Framework BS 9997, and appointed a new Head of Fire Safety with experience in both the London Fire Brigade and other Fire Safety Management roles. The appointment will help as we integrate our fire safety strategy across the newly acquired Liberty Living portfolio.

We invited The British Safety Council to undertake a comprehensive range of safety audits in 2019, including an Occupational Health and Safety Audit, Fire Safety Audit and a Construction Audit. The Occupational Health and Safety Audit measures performance against a number of key safety management indicators, providing organisations with a worldwide benchmark of their safety management systems against current best practice. We were proud to achieve a Five-star audit score (out of five), representing a significant improvement from our last audit 18 months ago where we achieved a Four-star rating.

The welfare and wellbeing of our customers is another top priority. We collaborated with the British Property Foundation in creating a wellbeing guide to drive positive change within the PBSA sector and lead by example. The guide outlines key findings around student welfare and suggests best practice. The guide was endorsed by the Department for Education.

To help students settle-in to University life we have rolled out our Student Ambassador programme to a much wider audience. The programme typically involves second- or third-year students, who have chosen to continue living with us, to offer peer-to-peer support to new students within their buildings, especially when first year students first move in. After the settling-in periods, the Ambassadors represent a highly accessible source of support at critical points throughout the academic year and on each student's journey through University life. We have recruited a nearly 160-strong network of Student Ambassadors, all of whom are paid the National or London Living Wage.

2019 saw the publication of the Augar review of post-18 education and funding. The report underlines that Universities retain a responsibility for delivering value-for-money to students, which includes University accommodation. We continue to demonstrate value-for-money to our customers by delivering the services that students and our University partners value.

The structure of our student offer has always put the student first, making sure we are providing a platform for success and reducing hassle by having all-inclusive bills, high speed Wi-Fi, specifically designed communal spaces as well as well-trained staff and welfare leads in each city. This allows us to be there when we are needed, or to direct students towards appropriate third-party welfare services.

Our MyUnite app puts more convenience and power into the hands of our students. They are able to raise maintenance logs, instant message their flat mates, book a washing machine in the laundry rooms, receive notifications when a parcel arrives for them and more. When students first move in, they can also check-in online, an option chosen by 75% of students with access to the facility this year. All this functionality is based on student feedback, so we have worked hard to make sure living with us aligns to student needs and wants. This has helped us achieve a customer satisfaction score of 85 in 2019.

The Strategic Report on pages 16 to 87 was approved by the Board and is signed on its behalf by:

**Richard Smith**
**Chief Executive**
26 February 2020

**Higher Education Trust score**
82

**University partnerships**
45

## Water Consumption Efficiency

**Alongside energy consumption and carbon emissions, one of our biggest environmental impacts is our water use. It's also a significant cost to the business.**

Faulty toilet cisterns can be one of the biggest contributors to water consumption. A single leaking cistern can waste over 52,000 litres of water a year, creating considerable cost and water wastage.

Based on analysis of water meter data collected via smart meters across our estate, we identified the highest consuming sites. We then undertook detailed surveys to find out what was causing the higher than expected consumption and what we could do about it.

We have now installed more than 1,300 dual-flush toilet upgrades and more than 3,000 tap flow-regulators, as well as sourcing and fitting a new type of shower head in all of our buildings which saves up to 10,000 litres of water per shower each year. This will save 740 million litres each year.

We have already achieved more than £110,000 in water cost savings during 2019, and we expect this to increase. Following this success, more widespread water efficiency works are planned going forwards.

1,300
**dual-flush toilet upgrades**

3,000
**tap flow-regulators have been installed**

740m
**litres of water saved each year**

£110,000
**saved in water cost savings to date**

# Responsible business review continued

## Gender diversity

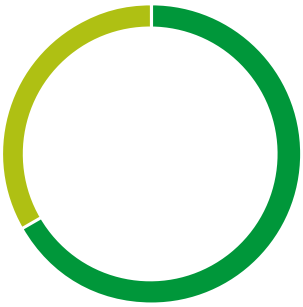
### Total employees

| | |
|---|---|
| Male | 1,015 |
| Female | 904 |

### Senior management

| | |
|---|---|
| Male | 62 |
| Female | 41 |

### Board



| | |
|---|---|
| Male | 6 |
| Female | 3 |

*"It was becoming increasingly difficult to run safe spaces for people where we were before. We could never have known until we moved here what would happen: it's just growing and growing in terms of being a community hub."*

**Ben Eydmann**
MahaDevi manager

## Creating Community Spaces

**Back in 2017 Unite Students, in partnership with Islington Council, utilised an opportunity presented by a planning stipulation to incorporate a community space within its new Holloway Road accommodation.**

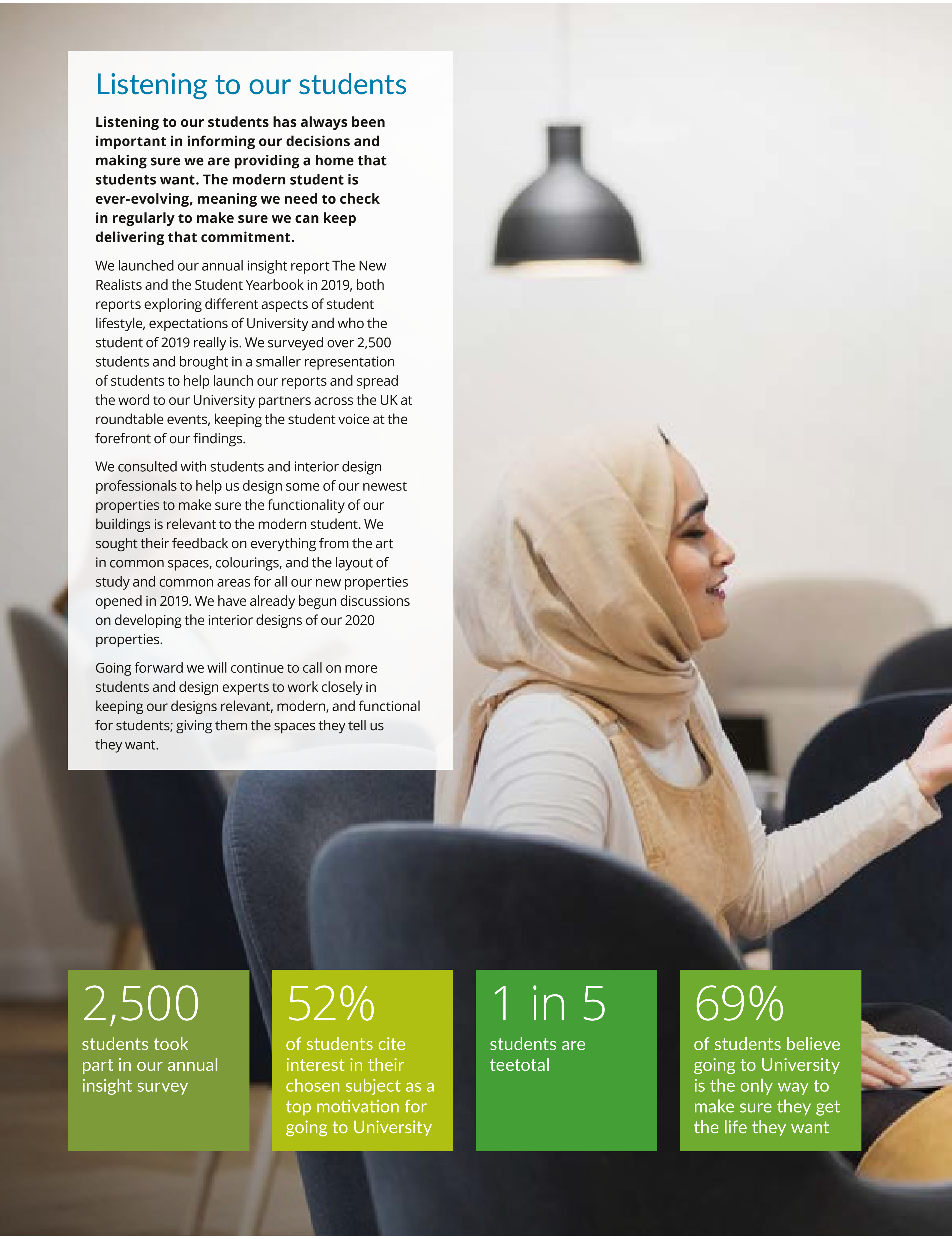
Rather than just create a generic community hall which was outlined in the Section 106, we proposed running a competitive tender process for the opportunity for a not for profit or charitable organisation to take on this space, and in doing so, maximise the opportunity the availability of such a space would create. The emphasis of this process was to find an organisation that would bring direct benefit to the local community, whilst helping to integrate the student residents that the property would house. Along with a heavily subsidised lease, we were able to offer a fit out of the premises to ensure that the successful applicant was able to utilise the full opportunity the space presented by ensuring the final layout best met their needs.

Fast forward two and a half years and MahaDevi Yoga, providing yoga therapy to young people with disabilities, has grown the delivery of their services by 82% since moving in. This also includes access for families with low incomes through a subsidy the charity provide and have been able to fund through additional commercial activity that the larger premises has enabled. In addition, the centre now has around 25 students regularly attending sessions each week, several of whom have also volunteered alongside other members of the community to support the centre in different ways.

The objective for Unite Students was to create a direct positive impact in the locality, integrating students and the local community via a collaborative approach with local stakeholders. As a result we have strengthened our position in the local area and developed positive relationships with all parties involved. The success of this scheme has helped inform our approach to the provision of community spaces in other areas of our portfolio. We are now keenly aware of the mutual benefit doing this can bring to individual organisations, local communities and our organisation, generating genuine impact for all of these groups, in a unique and genuine way.

This success and newly informed approach has now led to the provision of two further community use spaces within existing properties, which are home to a housing charity, and street intervention service in Bristol. In addition, we also now have a pipeline for four further community spaces that have been identified across the UK. We are in the early stages of working to identify local stakeholders to collaborate with on these projects, whilst understanding the most material issues in these localities to try and help identify appropriate parties to invite to the tender process.

We are committed to continuing to utilise this approach where there are suitable opportunities to do so.



# Listening to our students

**Listening to our students has always been important in informing our decisions and making sure we are providing a home that students want. The modern student is ever-evolving, meaning we need to check in regularly to make sure we can keep delivering that commitment.**

We launched our annual insight report The New Realists and the Student Yearbook in 2019, both reports exploring different aspects of student lifestyle, expectations of University and who the student of 2019 really is. We surveyed over 2,500 students and brought in a smaller representation of students to help launch our reports and spread the word to our University partners across the UK at roundtable events, keeping the student voice at the forefront of our findings.

We consulted with students and interior design professionals to help us design some of our newest properties to make sure the functionality of our buildings is relevant to the modern student. We sought their feedback on everything from the art in common spaces, colourings, and the layout of study and common areas for all our new properties opened in 2019. We have already begun discussions on developing the interior designs of our 2020 properties.

Going forward we will continue to call on more students and design experts to work closely in keeping our designs relevant, modern, and functional for students; giving them the spaces they tell us they want.

**2,500**
students took part in our annual insight survey

**52%**
of students cite interest in their chosen subject as a top motivation for going to University

**1 in 5**
students are teetotal

**69%**
of students believe going to University is the only way to make sure they get the life they want

Working together

# Corporate Governance

## Chairman's introduction

*"During 2019, the Board's governance focused on delivering a successful Liberty Living acquisition whilst in parallel ensuring our existing business continues to perform safely and we satisfy our customer and wider stakeholder expectations."*

**Phil White**
Chairman of the Board

Through the year, as the Liberty Living acquisition process continued, the Board set clear milestones with dedicated resources to ensure proper oversight of the transaction. During this time, the Board was extremely conscious of UK and wider political and economic uncertainty which continued through 2019, with the Board ensuring the acquisition, and the timing of it, continued to be right for the Group. The Board's governance also focused on our ability to successfully integrate the business and realise the synergies.

Alongside this, and again conscious of the ongoing political and economic uncertainty, the Board's governance focus continued on our core business and performance across all our key metrics. I am pleased to say the Group delivered on these metrics, with great performance on safety (achieving the Five-star out of five BSC Occupational Health & Safety audit) and customer and University trust (record satisfaction levels) alongside solid financial performance with a total accounting return of 11.7% and growth in EPRA EPS, up 15% to 39.1p.

Delivering the transformational Liberty Living acquisition in parallel to this strong performance in our core business is only possible due to the talent and hard work of our teams across the business. On behalf of the Board, I would like to thank them for another excellent year whilst also welcoming our new colleagues from Liberty Living.

During 2019, the Board was also very active with succession planning. Dame Shirley Pearce DBE joined the Board in November and Professor Sir Steve Smith will join in April 2020, both as Non-Executive Directors who bring a wealth of experience in the Higher Education sector. In addition, we are pleased to welcome Thomas Jackson, head of CPPIB's UK real estate business, as a Non-Executive Director following the acquisition of Liberty Living. Andrew Jones and Sir Tim Wilson stepped down from the Board, after six and nine years' service respectively, and I would like to thank them for their service. Sir Tim was also Chair of our Health & Safety Committee and the Group achieving the Five-star BSC Occupational Health & Safety audit rating at the end of 2019 is testament to his safety governance leadership.

I will also be stepping down from the Board at the 2021 Annual General Meeting following completion of the integration of Liberty Living. Succession planning is underway and the Nomination Committee will identify my successor within the next 12 months.

Going forwards, the Board's governance focus continues on developing and overseeing our longer-term sustainable and resilient strategy, building on our strong foundations for growth. This is founded on our strategy of providing value-for-money services that our students and University partners value; delivering quality buildings designed around student needs; generating high-quality recurring earnings and maintaining a strong capital structure.

Engagement with our wider stakeholders continues as key to our growth, along with robust and effective governance especially as HE sector and wider market uncertainties continue in 2020 and beyond. Our governance framework has been designed to ensure our resilience, help us manage these uncertainties as well as seizing opportunities, such as the Liberty Living acquisition.

The following pages provide insight into how our governance and stakeholder engagement support our continued growth and longer-term business sustainability.

**Phil White**
**Chairman of the Board**
26 February 2020

# Board of Directors

## Phil White
**Chairman**

### Relevant skills, experience and contribution

Phil has served as Chairman since May 2009.* He was Chief Executive of National Express Group plc from 1997 to 2006 and led the business through growth in the UK and overseas. He gained extensive executive experience in the public transport sector during the period of deregulation and privatisation. He is Chair of Lookers plc as well as a Non-Executive Director of VP plc.

Phil brings his wealth of experience as a Chair of FTSE and other companies to Unite, ensuring best practice in board effectiveness and corporate governance. Within the Board, he helps ensure clarity, critical thinking, constructive debate and challenge and the running of an effective Board. Externally, he ensures there is effective engagement with our investors over our strategy, long-term sustainability and corporate governance.

* Phil's tenure as Chair exceeds nine years and Chair tenure and succession planning on page 100 explains how this is being addressed.

## Richard Smith
**Chief Executive Officer**

### Relevant skills, experience and contribution

Richard was appointed Chief Executive in June 2016. Prior to this, he was Unite's Managing Director of Operations from 2011, a role that involved Richard leading the service provided to our customers, and managing maintenance and facilities management across the Group's portfolio.

Richard joined Unite as Deputy Chief Financial Officer in 2010. Prior to this, he spent 18 years in the transport industry, working in the UK, Europe, Australia and North America. Richard spent 13 years at National Express Group where he held a range of senior finance, strategy and operations roles, including Group Development Director and Chief Financial Officer, North America.

Richard continues to lead the successful development, communication and implementation of the Group's strategy, providing clear and valued leadership and delivery of the Group KPIs. His engagement with our investors helps ensure our strategy is well understood and valued. This has translated into continued strong financial and share price performance and helps ensure the Group is well-placed to carry this success into future years.

## Joe Lister
**Chief Financial Officer**

### Relevant skills, experience and contribution

Joe joined Unite in 2002 having qualified as a chartered accountant with PricewaterhouseCoopers. He was appointed as Chief Financial Officer in January 2008 having previously held a variety of roles including Investment Director and Corporate Finance Director. Joe is a non-executive director for Helical PLC.

Joe continues to lead the design and delivery of the Group's sustainable growth and financial performance. Together with Richard, Joe ensures the development and communication of the Group's strategy with our investors. In addition, Joe has an expanded remit over Property and a critical role in developing and strengthening the Group's University relationships. Joe is also leading the development of the Group's ESG strategy.

**Ilaria del Beato**
**Non-Executive Director**

### Relevant skills, experience and contribution

Ilaria was appointed a Non-Executive Director in December 2018. She is CEO of Frasers Property UK, part of Frasers Property, a global real estate group. Ilaria was formerly CEO of GE Capital UK, a regulated Bank and corporate lender and led GE Capital Real Estate UK, a commercial real estate investor, developer and lender.

Ilaria brings her 30 years of experience in real estate, including asset management, investment and lending, to the Group. This experience will be vital to the Group as we navigate the upcoming market uncertainties and increasing professionalisation of the sector.

**Ross Paterson**
**Non-Executive Director**

C

### Relevant skills, experience and contribution

Ross was appointed as a Non-Executive Director in September 2017. He is Finance Director of Stagecoach Group plc, and as a member of Stagecoach's Board is responsible for finance, business development and legal. In addition, he is a Non-Executive Director and the Audit Committee Chair of Virgin Rail Group Holdings Limited, and a member of the Business Policy Committee of the Institute of Chartered Accountants of Scotland.

Ross contributes to Unite's Board using his many years' experience of managing finance in a complex operational business like our own. He also brings valued insight to innovation as we continue to enhance our service offer to our student customers. Ross uses his financial and broader business experience as Chair of the Audit Committee, helping oversee the Group's financial rigour and delivery.

- Nomination Committee member
- Audit Committee member
- Remuneration Committee member
- Health and Safety Committee member
- C Chairman of Committee

# Board of Directors continued

## Richard Akers
**Non-Executive Director**

### Relevant skills, experience and contribution

Richard was appointed a Non-Executive Director in September 2018. From 1995 to 2014 Richard worked at Land Securities plc, where he had various positions including as an Executive Director on the main board and Managing Director of Retail. Richard has over 30 years' experience in the real estate industry, with a focus on retail. He is currently Senior Independent Director and Chair of the Health & Safety and Remuneration Committees at Barratt Developments Plc and a Non-Executive Director at Shaftesbury Plc. Previously Richard was a Non-Executive Director at Emaar Malls PJSC.

Richard brings a wealth of real estate experience as both an executive and Non-Executive Director on the boards of FTSE companies. This experience will be critical to help the Group manage change and uncertainty in the wider real estate sector as well as the broader economy.

## Dame Shirley Pearce
**Non-Executive Director**

### Relevant skills, experience and contribution

Dame Shirley joined the Board in November 2019, as a Non-Executive Director. She has held chair, senior executive and non-executive roles at board level in higher education, health and policing. She was appointed by the Secretary of State for Education as the Independent Reviewer of the Teaching Excellence and Student Outcomes Framework (TEF) (completed in October 2019) and is a member of the Committee on Standards in Public Life, a member of the Advisory Board of HCA Healthcare UK and, until 31 December 2019, Chair of Court at the London School of Economics and Political Science (LSE). Dame Shirley was also Vice-Chancellor and President of Loughborough University from 2006–2012. She was appointed CBE in 2005 for services to education in the NHS and in 2014 appointed DBE for services to Higher Education.

Dame Shirley brings her wide ranging and hands on experience in the HE sector to the Board. This is especially critical at a time of on-going change in the sector, where her insight and knowledge of HE and broader policy initiatives will help inform the Board on our strategic direction.

## Thomas Jackson
**Non-Executive Director**

### Relevant skills, experience and contribution

Thomas joined as a Non-Executive Director in November 2019. He has been the head of CPP Investments' UK real estate business since 2015 and is responsible for CPP Investments' entry into a number of new real estate sectors, including student housing, life sciences and the Built-to-Rent sector. In addition to sitting on the Board of The Unite Group PLC, Thomas also sits on a number of CPP Investments' office, retail and logistics Joint Venture boards. Beyond the UK, Thomas is also responsible for CPP Investments' real estate investment activity in Germany and the CEE regions. Thomas originally joined CPP Investments in 2011 and was instrumental in its transaction activity in Spain, the Nordics and India.

Prior to joining CPP Investments, Thomas was a Vice President in the real estate investment banking team at Macquarie bank and focused on M&A transactions within the UK and European public and private real estate companies.

Thomas brings his wide ranging real estate experience, not only student housing and specifically his experience on the Board of Liberty Living Group plc but also his wider built-to-rent, retail and logistics real estate experience to the Board. His international experience will also be invaluable for the Board, helping provide a wider perspective on developments in real estate as the Board progresses further its strategic thinking.

## Elizabeth McMeikan
**Senior Independent Director**

### Relevant skills, experience and contribution

Liz was appointed a Non-Executive Director in February 2014. She has significant experience in customer-focused businesses Tesco and Colgate Palmolive, where she was successful in driving growth through an understanding of customer needs and an innovative marketing approach.

Liz is a non-executive director at Dalata Hotel Group Plc, McBride plc, Fresca Group Ltd, an import/export fruit and vegetable company, and a director of Second Growth Community Investment Company. Previously she was a non-executive director of JD Wetherspoon plc, the chair of Moat Homes Ltd, a leading housing association in the South East, and CH & Co Ltd, a privately owned catering company.

Liz brings her extensive consumer-focused experience, both as an executive and also on the boards of other FTSE companies, to help oversee the design and development of our customer proposition and enhanced customer service. As Senior Independent Director of Unite, Liz supports the Chair in the effective running of the Board and as Chair of the Remuneration Committee, she helps ensure the Executive Directors' and broader senior leadership's remuneration is aligned to the long-term sustainable success of the Group.

## Chris Szpojnarowicz
**Company Secretary**

### Relevant skills, experience and contribution

Chris was appointed Company Secretary and Group Legal Director in 2013, following General Counsel roles at GE, MTV Networks and other multinationals. He was previously an M&A/corporate and commercial lawyer at Clifford Chance and Baker McKenzie. Chris uses his general counsel and corporate/commercial legal experience to fuse our corporate and risk governance with our business activity. In this way, Chris links his Company Secretary and governance leadership role with his legal and commercial experience.

Chris is a Board Trustee of The West of England Friends Housing Society, a residential care home which also provides supported housing and independent flats as part of an integrated care community.

- Nomination Committee member
- Audit Committee member
- Remuneration Committee member
- Health and Safety Committee member
- C Chairman of Committee

## Board statements

# Under the Corporate Governance Code (2019), the Board is required to make a number of statements. These statements are set out below:

| Requirement | Board statement | More information |
|---|---|---|
| **Compliance with the Code**<br>The Unite Group PLC is listed on the London Stock Exchange and is subject to the requirements of the UK Corporate Governance Code. The Board is required to comply with the provisions of the Code and to apply the provisions of the Code and where it does not explain the reasons for non-compliance.<br>The code is available at www.frc.org.uk | The Board confirms that, in its view, the Company has complied with the principles and provisions set out in the Code during 2019, except for provision 19 since the Chair's tenure has exceeded nine years. The reason for this and Chair succession planning is explained below (see Chair tenure succession and planning on page 100). | Details on how the Company complies with the Code can be found throughout this Corporate Governance section of the Annual Report. |
| **Going Concern**<br>The Board is required to confirm that the Group has adequate resources to continue in operation for the foreseeable future. | After making enquiries and having considered forecasts and appropriate sensitivities, the Directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being at least 12 months from the date of these financial statements. | More details on the Going Concern statement can be found on pages 174 and 175. |
| **Viability Statement**<br>The Board is required to assess the viability of the Company taking into account the current position and the potential impact of the principal risks and uncertainties set out on pages 47 to 55. | The Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period to December 2022. | More details on the Viability statement can be found on page 46. |
| **Principal and emerging risks facing the Group**<br>The Board is required to confirm that it has carried out a robust assessment of the principal and emerging risks facing the Company and include a description of these principal risks, what procedures are in place to identify emerging risks, and an explanation of how these are being managed or mitigated. | A robust assessment of the principal and emerging risks facing the Company was undertaken during the year, including those that would threaten its business model, future performance, solvency or liquidity, together with an assessment of the procedures to identify emerging risks. These risks and the assessment undertaken and an explanation of how these are being managed or mitigated are set out on pages 42 to 55. | Information around key risks and risk management processes can be found on pages 42 to 55, and on page 113 of the Audit Committee report. |
| **Risk management and internal control**<br>The Board is required to monitor the Company's risk management and internal control systems and, at least annually, carry out a review of their effectiveness. | The Board conducted a review of the effectiveness of the systems of risk management and internal control during the year, and considers that there is a sound system of internal control which accords with the 'Financial Reporting Council's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting.' | Details on the systems of risk management and internal control can be found on pages 42 to 46. |
| **Fair, balanced and understandable**<br>The Board should confirm that it considers the annual report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. | The Directors consider, to the best of each person's knowledge and belief, that the annual report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. | See the Audit Committee report on pages 110 to 115 and the Statement of Directors' responsibilities on page 153. |

Board leadership and purpose

# Governance leadership and corporate culture

Following the Liberty Living acquisition, the Group is home to 74,000 students during a crucial stage of their personal development at Universities right across the UK. The Board has ultimate responsibility to Unite's shareholders for all the Group's activities as well as a broader responsibility to consider the views of other key stakeholders including our customers, Universities, employees and the communities we operate in as well as considering environmental and social issues when making decisions.

To discharge this broader responsibility effectively, the Group needs to operate in an open, harmonious and transparent manner, ensuring open communication between the Board and senior leaders. This is why various members of the senior leadership team regularly present to the Board. During 2019, the Chief Customer Officer, Group Property Director, Business Development Director, Corporate Finance Director, University Partnerships Director and Group Legal Director & Company Secretary (among others) presented to the Board.

This direct access to management opens dialogue beyond the boardroom. Additionally, with Board meetings taking place in cities across the UK, the Board visits both new developments and existing properties and meets with our Operations teams. This gives it a grounded insight into the implementation of our overall business strategy.

The Board monitors corporate culture through interaction and dialogue with our people and also through regular employee engagement surveys. These take place right through the organisation, helping ensure our values and culture are well understood and giving our people the opportunity for frank and open feedback and the sharing of different views. These surveys help measure engagement through their participation rates as well as the feedback received across the broad range of topics surveyed. See Stakeholder engagement on pages 32 and 33 which provides more details on our employee engagement and how we measure and monitor corporate culture.

In addition, the Board monitors and measures our corporate culture through the interaction with other key stakeholders, such as our customers and our University partners. See Stakeholder engagement on pages 32 and 33 which provides more details on how we engage, and measure and monitor our performance, with our customers and University partners.

## Board structure

### Board Committees

The Board has delegated certain responsibilities to its Committees, as detailed on the following pages. The terms of reference for each Committee are reviewed annually and the current versions are available on the Company's website at www.unite-group.co.uk. The current membership of each Committee of the Board is set out in the chart below.

**Nomination Committee**

**Chair: Phil White**
Elizabeth McMeikan
Ross Paterson
Richard Akers
Ilaria del Beato
Dame Shirley Pearce
Thomas Jackson
Professor Sir Steve Smith*

**Audit Committee**

**Chair: Ross Paterson**
Richard Akers
Ilaria del Beato
Professor Sir Steve Smith*
Thomas Jackson

**Health & Safety Committee**

**Chair: Professor Sir Steve Smith***
Richard Smith
Elizabeth McMeikan
Ilaria del Beato
Dame Shirley Pearce

**Remuneration Committee**

**Chair: Elizabeth McMeikan**
Phil White
Ross Paterson
Richard Akers
Dame Shirley Pearce

**Unite Executive**

**Unite Operations Board**

**Unite Property Board**

**Risk Committee**

* Professor Sir Steve Smith joins the Board on 1 April 2020.

# Board leadership and purpose continued

### How the Board operates and stakeholder engagement

The Board has an annual operating rhythm with an agenda of items for the forthcoming year built around our strategic objectives. The Board's meetings are split between strategy (considered in light of principal and emerging risks, opportunities and the approval of specific investments above certain thresholds) and routine operational, property and financial updates (providing context for the strategic discussions as well as governance oversight of in-year activity).

Meetings take place throughout the UK, often at Universities, so the Board can meet Vice-Chancellors and learn about their experiences with Unite, their accommodation requirements more generally and broader developments in the Higher Education sector.

Senior leaders are regularly invited to attend meetings and present to the Board. This provides the Board, and in particular the Non-Executive Directors, with direct and open access to leaders throughout the Group and helps build a culture of openness and directness. In addition, external experts are also invited to present to the Board (such as University Vice-Chancellors and property valuers) to give the Directors a broader and independent perspective.

Stakeholder engagement on pages 32 and 33 explains how the Board engages and measures the views of our key stakeholders – our Students, Universities, People and Investors – and the outcomes from this engagement.

## Board operating rhythm

1 **Regular updates from the Board Committees on their activities and recommendations**
Ensure that the detailed work performed in the Board Committees is considered by the Board as a whole.

2 **Operational, property and financial updates**
Provide the Board with the necessary information to track the Group's performance and challenge any problems with performance.

3 **Market and Higher Education sector updates**
Ensure the Board has the latest market and sector knowledge.

4 **Strategy and five-year plan**
Discuss, review and approve our strategy and five-year plan, and track how we are performing against our current strategy and five-year plan.

5 **Risk**
Review and discuss our principal and emerging risks at a Group level and also review operational level risks (the Board's operational risk review is to verify that risks have been properly identified and that appropriate risk-mitigation plans are being correctly managed with clear actions and ownership).

6 **New development schemes**
Review and challenge new development schemes being recommended by management and, due to the significant capital expenditure involved and key strategic decisions required, approve these new development schemes.

7 **Training**
Review the Board's training needs and ensure that the Board is up to date on key legal and regulatory changes.

8 **Review of Group policies**
Review key Group policies to ensure they are appropriate and implemented effectively.

### Workforce engagement

The Board has designated one of its Non-Executive Directors (Elizabeth McMeikan, the Senior Independent Director and Chair of the Remuneration Committee) to help ensure the views and concerns of the workforce are brought to the Board and taken into account.

By attending the Employee Panel Forum meetings, engaging with people across the organisation and with the benefit of the regular employment engagement surveys, Elizabeth McMeikan is able to:

- understand the concerns of the workforce and explain these at Board meetings;
- ensure the Board, and in particular the Executive Directors, take appropriate steps to evaluate the impact of proposals and developments on the workforce and consider what steps should be taken to mitigate any adverse impact; and
- ensure plans are fed back to the workforce

Workforce engagement has led to shaping our decision making, which this year has resulted in the following:

- enhanced Shared Parental Leave taking into account specific feedback
- a revised approach to employee communications including a new employee hub, employee app and improved communication platforms/channels
- implementing a 'back to the floor' programme for all senior leaders; and
- introducing reverse mentoring for all senior operational leaders

The Board, through the detailed work of the Remuneration Committee, also monitors pay and practices across the wider workforce with the Group People Director attending these meetings to update on workforce initiatives and offer an employee perspective to the Committee's deliberations.

The Board also considers diversity across the workforce, by considering our gender diversity across the Group (see page 86) as well as our gender pay gap (see page 122).

## Investment in workforce

The Company invests in our people, conscious that we can only deliver a home for our students, and ultimately our purpose of Home for Success, through our people. Our people are one of our key stakeholders and how/why we engage with them and measure this, as well as the corresponding outcomes, are set out on page 32 and 33. As a responsible business, creating diverse and engaged teams is critical to our on going success and how we do this, and our approach to investing in and rewarding our workforce, is set out on page 83.

## Section 172 of the Companies Act 2006 (Section 172)

Section 172 requires the Directors to take into consideration the interests of stakeholders in their decision making. In particular, section 172(1) states that regard should be had to the long-term consequences of decisions, the interests of the Company's employees, the need to foster the Company's business relationships with suppliers, customers and others, the impact of the Company maintaining a reputation for high standards of business conduct. Pages 34 to 37 explain how this was considered during 2019. Further, pages 102 and 105 explain Board activity and decision making during the year which flowed from our stakeholder engagement and how this is aligned to our strategic objectives.

## How we engage with our investors

The Board values effective communication with shareholders and other providers of capital to the business and welcomes their views on the Group's approach to corporate governance. In addition to the final and interim presentations, a series of meetings between institutional shareholders and other providers of capital and senior management were held throughout 2019.

The Board is made aware of the views of major shareholders concerning the Company through, among other means, regular analyst and broker briefings and surveys of shareholder opinion. These will continue throughout 2020.

Early in 2020, the Remuneration Committee conducted a consultation with its 20 largest shareholders (representing approximately two-thirds of the issued share capital) regarding the proposed grant of an exceptional LTIP to the Executive Directors and wider leadership with performance aligned to the longer-term successful delivery of Liberty Living integration. Following this shareholder consultation, the Remuneration Committee decided not to proceed with the grant of this exceptional LTIP for the Executive Directors. For more detail see 2020 LTIP and shareholder consultation on page 120.

The Company maintains a corporate website containing extensive information of interest to both institutional and private investors. The Company has frequent discussions with shareholders on a range of issues affecting its performance, both following the Company's announcements and in response to specific requests. The Company regularly seeks feedback on the perception of the Company among its shareholders, the investor community more broadly and its stakeholders.

Save in exceptional circumstances, all members of the Board attend the Company's Annual General Meeting and shareholders are invited to ask questions during the meeting and to meet with Directors prior to, and after, the formal proceedings. At the meeting, the Chairman reviews the Group's current trading.

The results of the votes at the Annual General Meeting, together with details of the level of proxy votes lodged for each resolution are made available on a regulatory information service and on the Company's website at www.unite-group.co.uk.

Notice of the Annual General Meeting is set out on pages 229 to 234.

# Division of responsibilities

## Composition of the Board

The composition of the Board during 2019 is set out in the table on page 102.

The Board currently consists of the Chairman, two Executive Directors and six Non-Executive Directors.

In accordance with the requirements of the Code, each of the current Directors offers themselves for election or re-election at the Annual General Meeting, to be convened this year on 7 May 2020. Brief biographies of all the Directors and their skills, experience and contribution, are set out on pages 92 to 95. Following the individual performance evaluations of each of the Non-Executive Directors seeking re-election, it is confirmed that the performance of each of these Non-Executive Directors continues to be effective. They each demonstrate commitment to the role, and add value and relevant experience to the Board.

## Independence

The Board considers six of its seven Non-Executive Directors to be independent. Thomas Jackson is not considered to be independent, having been nominated as a Director of the Company by its largest shareholder Canadian Pension Plan Investment Board (CPPIB) pursuant to a Relationship Agreement signed as part of the Liberty Living acquisition. Accordingly, the Company meets the requirement of the Code in relation to members of the FTSE 350 that at least half of the Board (excluding the Chairman) is made-up of independent Non-Executive Directors. In addition, Phil White (Chairman of the Board) was considered independent on his appointment to that role.

## Chair tenure and succession planning

The Board is acutely aware that Phil White has been Chair of the Board for more than nine years. Phil White considered not offering himself for re-election as a Director at the 2019 Annual General Meeting, but at this time he – along with the rest of the Board – were conscious that the Group was working intensively on the potential acquisition of Liberty Living. It was felt, on balance, stability and continuity of the Chair position at this time was preferable in the longer-term interests of the Group and so Phil White continued as Chair during this critical stage of the acquisition process. Following completion of the acquisition process, and conscious that the Chair had written to shareholders on behalf of the Board recommending the acquisition, it was felt on balance preferable that Phil White continues as Chair to oversee delivery of the Liberty Living integration and synergies. As such, it was agreed that Phil White would continue as Chair through 2020 and then step down as Chair by not offering himself for re-election at the 2021 Annual General Meeting. The Board believes this timetable allows proper time for a comprehensive new Chair search and proper handover of role and responsibility, crucially important following such a transformative stage of the Group's growth.

During 2020, the Nomination Committee (through a subcommittee chaired by Elizabeth McMeikan, the Senior Independent Director) is running a process for the search, recruitment and later on-boarding and handover of the Chair's role. Phil White is not a member of this subcommittee.

### Composition of the Board

| | |
|---|---|
| Chairman | 1 |
| Executive Directors | 2 |
| Non-Executive Directors | 6 |

### Gender diversity

| | |
|---|---|
| Men | 6 |
| Women | 3 |

### Independence

| | |
|---|---|
| Non-Executive Directors | 1 |
| Independent Non-Executive Directors | 6 |

## Roles

The Chairman and the Non-Executive Directors constructively challenge and help develop proposals on strategy, and bring strong, independent judgement, knowledge and experience to the Board's deliberations.

The roles of the Chairman and CEO are clearly separated. Summaries of the responsibilities of the Chairman, CEO and Senior Independent Director are set out in the table below.

**Role: Chairman**

Phil White's principal responsibilities are:

- to establish, in conjunction with the Chief Executive, the strategic objectives of the Group for approval by the Board
- to organise the business of the Board
- to enhance the standing of the Company by communicating with shareholders, the financial community and the Group's stakeholders generally.

**Role: Chief Executive**

Richard Smith has responsibility for:

- establishing, in conjunction with the Chairman, the strategic objectives of the Group, for approval by the Board
- implementing the Group's business plan and annual budget
- the overall operational and financial performance of the Group.

**Role: Senior Independent Director**

As Senior Independent Director, Elizabeth McMeikan's principal responsibilities are to:

- act as Chairman of the Board if the Chairman is conflicted
- act as a conduit to the Board for the communication of shareholder concerns if other channels of communication are inappropriate
- ensure that the Chairman is provided with effective feedback on his performance.

The terms and conditions of appointment of the Non-Executive Directors are available for inspection at the Company's registered office and at the Annual General Meeting.

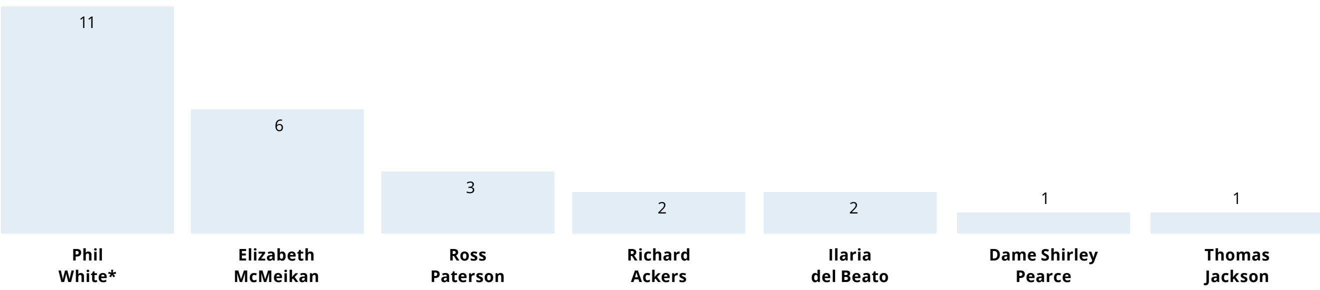
## Time commitment

Directors are expected to commit approximately 20 days per annum to the business of the Group. We have reviewed the responsibilities of all Directors and are satisfied that they can fully fulfil this commitment.

## Board tenure

Each of the Executive Directors has a rolling contract of employment with a 12-month notice period, while Non-Executive Directors are, subject to re-election by shareholders, appointed to the Board for a term of approximately three years. The chart below shows the current tenure of the Non-Executive Directors (rounded up to the nearest year), including the Chairman.

## Non-Executive Director tenure (in years)




* See Chair tenure and succession planning on page 100 which explains why Phil White's tenure exceeds nine years and our succession planning.

# Division of responsibilities continued

## Professional advice and training

Directors are given access to independent professional advice at the Company's expense when the Directors deem it necessary in order for them to carry out their responsibilities. The Directors also have regular dialogue with, and direct access to, the advice and services of the Company Secretary, who ensures that Board processes and corporate governance practices are followed.

The Board considers it important that the Committee Chairs continue to receive sector and relevant functional training (such as on accounting, corporate governance and executive remuneration reporting developments) and accordingly the Committee Chairs attend relevant external seminars. The Board as a whole receives ongoing training on corporate governance and other relevant developments.

## Induction

On appointment to the Board, each Director takes part in a comprehensive and personalised induction programme. This induction is also supplemented with ongoing training throughout the year to ensure the Board is kept up to date with key legal, regulatory and industry updates. Dame Shirley Pearce and Thomas Jackson, who joined the Board in 2019, underwent an induction programme following this framework:

- The business and operations of the Group and the Higher Education sector; the role of the Board and matters reserved for its decisions; the terms of reference and membership of Board Committees; and powers delegated to those Committees
- The Group's corporate governance practices and procedures and the latest financial information about the Group
- The legal and regulatory responsibilities as a Director and, specifically, as a Director of a listed company.

As part of the induction programme, each Director also visits key locations to see our business operations and properties first-hand and the Higher Education institutions with which we partner. Also, they meet with key senior executives, so from the outset they have access to managers throughout the organisation to help them form their own independent views on the Group, its performance and the sector we operate in. In addition, they meet with representatives of the Company's key advisers.

## Board activities in 2019

### Directors' attendance at meetings

| Current Directors | Status | Date of appointment to the Board | Board | Audit Committee | Remuneration Committee | Nomination Committee | Health & Safety Committee |
|---|---|---|---|---|---|---|---|
| Phil White | Chairman | 21 January 2009 | 12/12 | N/A | 6/6 | 2/2 | N/A |
| Elizabeth McMeikan | Independent | 01 February 2014 | 12/12 | 1/1* | 6/6 | 2/2 | 3/3 |
| Joe Lister | Executive | 02 January 2008 | 12/12 | N/A | N/A | N/A | N/A |
| Richard Smith | Executive | 01 January 2012 | 12/12 | N/A | N/A | N/A | 3/3 |
| Ross Paterson | Independent | 21 September 2017 | 12/12 | 5/5 | 6/6 | 2/2 | N/A |
| Richard Akers | Independent | 01 September 2018 | 12/12 | 5/5 | 6/6 | 2/2 | N/A |
| Ilaria del Beato | Independent | 01 December 2018 | 11/12** | 4/5** | N/A | 2/2 | 3/3 |
| Dame Shirley Pearce[1] | Independent | 01 November 2019 | 2/2 | N/A | 2/2 | 1/1 | 1/1 |
| Thomas Jackson[2] | Non-independent | 29 November 2019 | 1/1 | N/A | N/A | 0/0 | N/A |
| Andrew Jones[3] | Independent | 01 February 2013 | 4/4 | N/A | 1/1 | 1/1 | N/A |
| Sir Tim Wilson[4] | Independent | 01 December 2010 | 12/12 | 5/5 | 6/6 | 2/2 | 3/3 |

1 Appointed 1 November 2019.

2 Appointed 29 November 2019.

3 Resigned 9 May 2019.

4 Resigned 31 December 2019.

* Elizabeth McMeikan was only a member of the Audit Committee for the first meeting in 2019.

** Ilaria del Beato was unable to attend one Board and Audit Committee meeting during 2019 due to urgent oversees travel.

# Board activities

## Board activity and annual programme

In addition to the Liberty Living acquisition being considered at each Board meeting, the Board also considered:

| | | | | |
|---|---|---|---|---|
| **February** | S U<br>University Partnership update<br>Market update | I G<br>Shareholder remuneration policy consultation | I E<br>Preliminary results | S G<br>Tax strategy |
| **April** | S FR I<br>Growth strategy<br>Market downturn analysis<br>IR review | FR QP<br>Post-completion review – review of 2018 property completions | | |
| **May** | I<br>Annual General Meeting | S U<br>Higher Education review | FR G<br>Internal audit plan | G G S<br>Assess auditors<br>Review internal controls<br>Strategy |
| **June** | S G QS<br>Digital/IT strategy<br>Approval of development (spend at Middlesex, London) | S QS<br>BI/MI approach | I<br>Half-year valuation preview | G O C FR<br>Principal and emerging risks review<br>Brexit readiness plan |
| **July** | | I<br>Interim results | S I E<br>General Meeting and Equity Placing (Liberty Living acquisition) | |
| **August** | QP<br>New development site in Nottingham acquired | | | |
| **September** | S P<br>Strategic plan and talent review | G P<br>Internal Board & Committee Evaluation | | FR E<br>Debt financing |
| **October** | QP G<br>New University partnership with University of Leeds | | QP G<br>Sale of two Coventry assets | |
| **November** | S E FR<br>Completion of acquisition of Liberty Living | S FR E<br>2020 budget planning | P S G QS O<br>Board appointments (Dame Shirley Pearce and Thomas Jackson)<br>Customer satisfaction review | P G S<br>Nomination Committee leadership, development and succession planning |
| **December** | FR O C<br>Principal and emerging risks review – Brexit disruption plan | FR G I G E<br>2020 budget approval<br>Prospective year end out-turn | P G S<br>Whistleblowing review<br>CSR/Unite Foundation | O FR G<br>British Safety Council Five-star Health & Safety Audit review |

S Strategy
FR Financial and risk management
O Operational
C Commercial
I Investor relations
G Governance
QP Quality properties
QS Quality service platform
U University partnerships
P People
E Earnings & NAV growth

# Board activities continued

## How governance and stakeholder engagement has driven the Board's decision making during 2019

| Strategic objective | Board's governance role | Link to principal risk | 2019 Board activity and decision making |
|---|---|---|---|
| **Quality properties** | **Liberty Living acquisition**<br>Throughout 2019, direct Board involvement in and scrutiny of the Liberty Living acquisition. | **Property market cycle risk on page 53** | Ongoing challenge of management to ensure the acquisition is right for the Group and we can deliver the projected operational and financial performance.<br><br>Engaging with our shareholders, one of our key stakeholder groups, through both the July 2019 share placing and the 23 July 2019 General Meeting (seeking approval for the Liberty Living acquisition) to ensure their views are taken into account in the Board's decision making.<br><br>Read more about **Liberty Living acquisition on page 20** |
| | **Development pipeline**<br>Board scrutiny of city and site selection for new developments against backdrop of increasing competition for the best sites. Governance of developments/ acquisitions to ensure they run to budget and schedule and are earnings accretive. | **Property/ Development risk on page 52** | Three new student residences (2,390 beds) opened on time and to budget. The beds are fully let to students attending high- and mid-ranked Universities with 70% of these beds secured on nomination agreements with an average life of 16 years.<br><br>The Board takes into account its engagement with Universities about these developments when making a decision whether to proceed or not with these development schemes.<br><br>Read more about **Development and partnership activity on page 64**<br><br>Read more about our **Buildings designed for students on page 64** |
| | **Health & Safety**<br>As we develop our brand through the implementation of Home for Success, the risk of a health and safety incident damaging our reputation increases. The Board's governance of the health and safety, wellbeing and security of the now 74,000 students who make Unite Students their home is critical to the Group's continued success and trusted reputation. | **Operational risk – Major health and safety incident in a property or a development site on page 50** | The Board reviews the safety of our students, visitors and employees, as well as contractors at our development sites, at each Board meeting. During 2019, this has included monitoring the Hackitt Review, developing best practice following the Grenfell Tower tragedy and regulatory change.<br><br>The Health & Safety Committee, a sub-Committee of the Board, focuses on:<br>• **fire**, our biggest safety risk, and our work with the Avon Fire Authority, our Primary Fire Authority lead<br>• **external safety assurance** through The British Safety Council, our external safety auditor<br>• **physical security review** of our properties by WSP Parsons Brinckerhoff.<br><br>During 2019, The British Safety Council conducted three comprehensive safety audits: an Occupational Health & Safety Audit, a Fire Safety Audit and a Construction Audit.<br><br>The Occupational Health & Safety Audit measures performance against a number of key safety management indicators, providing organisations with a worldwide benchmark of their safety management systems against current best practice to enable continual improvement. The Group achieved Five-stars (out of five) for this audit in 2019, which reflects significant improvement from our last audit 18 months ago when awarded a Four-star rating.<br><br>Read more about the **Health & Safety Committee report on page 116** |

| Strategic objective | Board's governance role | Link to principal risk | 2019 Board activity and decision making |
|---|---|---|---|
| **Quality service platform** | Governance to ensure our market-leading service platform meets our customers' and University partners' (two of our key stakeholder groups) needs and expectations as well as ensuring it is robust, reliable and scalable for the increasing number of customers following the Liberty Living acquisition. | **Market risks – supply and demand on pages 47 to 49** | Through our customer satisfaction surveys and University Trust scores, as well as direct engagement with VCs and other levels of management within Universities, the Board is able to take into account the views of these stakeholders as well as monitoring and measuring our performance.<br>Oversight that PRISM, our service platform and our customer facing operational apps (such as the My Unite app) deliver:<br>• a robust booking system<br>• an improved and scalable platform for revenue management and customer engagement<br>• enhanced service levels for both Universities and students<br>• market differentiation.<br>Read more about the **Operations review on page 56**<br>Read more about our **Stakeholder engagement on pages 32 to 33** |
| | Ensuring our product is affordable and provides good value-for-money for our customers. | **Market risks – supply and demand on page 48** | Board analysis of the Higher Education accommodation sector and ensuring we continue to offer an affordable and value-for-money product.<br>Read more about **Operations review on pages 56 to 61** |
| | Ensuring our 'safe and secure' brand promise extends to keeping our customers' and employees' personal data safe and secure. | **Market risks – supply and demand on page 48** | On going review of our information security and its governance, in particular having regard to the General Data Protection Regulation (GDPR). |
| | Leadership development and succession planning/talent pipeline. D&I Initiatives. | **Market risks – supply and demand on pages 47 to 49** | The Nomination Committee focuses not only on Board succession, appointing three Non-Executive Directors in 2019 (Dame Shirley Pearce, Professor Sir Steve Smith and Thomas Jackson), but also our broader talent pipeline and leadership development.<br>The Board considers the output from our employee engagement surveys when making decisions on wider employee issues. |
| **Quality University partnerships** | Board scrutiny of our developments and portfolio recycling to ensure we partner with the right Universities and enhance our long standing relationships.<br>Building University relationships through ongoing engagement and dialogue with Universities. | **Market risks – supply and demand and Property\Development risk on pages 47 to 49 and 52 to 53** | 56% of our total beds are under nomination agreements, with 88% aligned to high- and mid-ranked Universities. Higher Education review and our growth strategy having regard to developing new University partnerships transactions.<br>Read more about **Partner of Choice for Universities on page 23** |
| **Delivering sustainable value** | **HE Government Policy and Brexit**<br>Continued focus on potential HE Government policy changes as well as our Brexit readiness planning. | **Market Risks – supply and demand on page 47** | Ongoing Board monitoring of HE Government policy and its impact for PBSA and more widely as well as continued assessment of our key Brexit risks and the oversight of our Brexit Disruption Plan in which we prepare for the inevitable operational disruption due to Brexit. |
| | **High-quality, growing earnings**<br>Oversight of operational performance, rental growth and University partnerships transactions along with dividend growth. | **Market risks and Property/Development risks on pages 47 to 49 and 52 to 53** | 98% let across our portfolio for the 2019/20 academic year and 3.0–3.5% rental growth delivering 15% growth in EPS.<br>Read more about **Operations review on page 56** |
| | **Capital structure**<br>Group Board focus on a strong and flexible capital structure, which can adapt to market conditions, and reducing and diversifying the cost of funding. | **Financing risk on page 55** | Board oversight on our capital structure following the Liberty Living acquisition, together with continued focus on locking in debt at historically low rates for new debt facilities and forward starting interest-rate swaps for future borrowings for secured development pipeline.<br>At the end of 2019:<br>• Loan to value 37% (31 December 2018: 29%)<br>• Average cost of debt 3.3% (31 December 2018: 3.8%).<br>Read more about **Financial review on page 68** |

## Board activities continued

### 2019 Performance evaluation

Each year the Board, its Committees and Directors are evaluated, considering (among other things) the balance of skills, experience, independence and knowledge on the Board, its diversity (including gender), how it works together as a unit and other factors relevant to its effectiveness.

The Company's policy is to conduct an externally facilitated evaluation every third year. During 2019, the evaluation was conducted internally. The previous external evaluation was in 2017 and the next external evaluation is expected to be during 2020.

During 2019, this Board evaluation – building on prior years – explored our corporate culture and governance leadership. In addition, due to the size and transformational nature of the Liberty Living acquisition, the evaluation also considered the strategic approach and process for the acquisition, conscious there could be valuable learnings for the Board from such a large and complex acquisition. The evaluation also considered the behaviours and processes of the Board, its Committees and each member of the Board, including the Chairman.

The feedback was that the Board and its Committees operate effectively as a team, balancing their collective responsibility appropriately, with clear agreement on the Board's role in shaping, embedding and overseeing Home for Success and our values. Learnings from the Board evaluation included:

1. Conscious of the growth of the Company through the Liberty Living acquisition, the Board felt it important to visit more cities in 2020 and, in particular, the Board will visit Cardiff, a new city for Unite
2. Hold a dedicated Group Board Safety Day to give the Board the opportunity to see how safety is embedded operationally as well as an opportunity to step back and focus on Safety Governance
3. With the size of the Board growing in 2020, the Board is acutely aware this will need careful attention to ensure it continues to operate effectively as a team

The Board's focus areas for the year ahead are outlined below:

### 2020 governance priorities

Continued delivery of high-quality, growing earnings with oversight and assurances of:

| Safety and service | Macro/Market dynamics | Development | Liberty Living integration | Our people |
|---|---|---|---|---|
| Replacement of HPL cladding required to ensure buildings are safe.<br><br>Fire safety following the Hackitt Review and a post-Grenfell world.<br><br>Enhancing our digital offering for our digital native customers. Evolving our product proposition and customer segmentation – ensuring we remain focused on affordability and value-for-money. | The impact of Government HE policy and Brexit on the sector, UK plc and the UK economy more generally. Managing the risks – and equally embracing the opportunities that change brings. | Choosing, securing and developing the right sites in the best locations. Security of income coupled with rental growth through high-quality properties with quality long-term University partnerships. | Successfully integrating Liberty Living.<br><br>Ensuring the £15m of annual cost synergies are secured. | Developing our talent pipeline and future leaders to help ensure a sustainable future.<br><br>Continued focus on our diversity, equality and inclusivity initiatives. |

# Succession planning due to the growth of the business through the Liberty Living acquisition has been the Committee's key focus for 2019.

## Nomination Committee Members

**Phil White**
Chairman

**Elizabeth McMeikan**
Senior Independent Director

**Ilaria del Beato**
Non-Executive Director

**Ross Paterson**
Non-Executive Director

**Richard Akers**
Non-Executive Director

**Dame Shirley Pearce**
Non-Executive Director

**Thomas Jackson**
Non-Executive Director

## Nomination Committee Chair's overview

The Committee's focus this year has been on succession planning following the planned stepping down of Andrew Jones and Sir Tim Wilson as Non-Executives after six and nine years' tenure respectively. I would like to thank Andrew and Tim for their contributions to the Board over their years with us.

The Committee's succession planning led to the successful appointment of Dame Shirley Pearce (in November 2019) and Professor Sir Steve Smith (who joins the Board in April 2020). Dame Shirley Pearce and Professor Sir Steve Smith have in-depth experience in the HE sector and bring a wider sector perspective to our business. Thomas Jackson also joined the Board, following Completion of the Liberty Living acquisition, having been nominated as a Director of the Company by our largest shareholder Canadian Pension Plan Investment Board (CPPIB) pursuant to a Relationship Agreement signed as part of the Liberty Living acquisition.

The Committee also continued its focus on executive succession planning and our talent development. This is conducted through mapping the business' strategic objectives and growth through the Liberty Living acquisition against our wider leadership and high-performing, high-potential individuals to ensure appropriate bench strength and resilience.

As part of this executive and wider succession planning, the Committee also continued its focus on our diversity and inclusion initiatives, conscious a diverse leadership team reflecting our wider stakeholders is critical for the Group's long-term sustainable success.

Succession planning for the Chairman, led by Elizabeth McMeikan our Senior Independent Director, has been a specific focus during 2019 and this will continue in 2020. The section on Chair tenure and succession planning on page 100 explains why I have continued in post beyond nine years and the timing and recruitment process for my successor.

**Phil White**
**Chair – Nomination Committee**
26 February 2020

## Nomination Committee continued

### Composition

The Committee consists entirely of Non-Executive Directors. The members of the Committee are set out on page 97 of this Corporate Governance Statement. At the invitation of the Committee, any other Director or other person may be invited to attend meetings of the Committee if considered desirable in assisting the Committee in fulfilling its role.

### Role

The role of the Committee is to:

- Ensure that appropriate procedures are adopted and followed in the nomination, selection, training, evaluation and re-election of Directors and for succession planning, with due regard in all cases to the benefits of diversity on the Board, including gender
- Regularly review the structure, size, composition, skills and experience of the Board and to make recommendations with regard to any adjustments considered necessary
- When it is agreed that an appointment to the Board should be made, lead a selection process that is formal, rigorous and transparent
- Be responsible for identifying, reviewing and recommending candidates for appointment to the Board

### Nomination Committee meetings

The Nomination Committee met twice during the year and attendance at those meetings is shown on page 102 of this Corporate Governance Statement. The sub-committee of the Nomination Committee appointed to focus on Chair succession planning met a further two times.

### Activities in 2019

**Review of Board composition and succession planning**

The Committee reviewed the Board's composition to ensure it has the correct balance of skills, experience, independence and knowledge. Recognising that the average tenure of the Non-Executive Directors was just over six years – and to help ensure orderly succession planning with Andrew Jones and Sir Tim Wilson stepping down in 2019 – the Committee believed it was timely to consider appointing two new Non-Executive Directors. The Committee felt it important to strengthen the HE sector experience, especially at a time with so much potential change in the sector, and led a recruitment process resulting in the appointment of Dame Shirley Pearce and Professor Sir Steve Smith.

Russell Reynolds, an external search consultancy, led the search for these Non-Executive Directors. Russell Reynolds has no other connection with the Company or individual Directors.

As per prior years, the Committee also reviewed the Board's succession planning for executive roles, to ensure we have a deep, diverse and inclusive talent pipeline for future Board appointments. As an integral part of our executive succession planning, the Committee oversees the talent mapping to ensure we are growing and nurturing our talent and developing our high-performers' high-potential. Our diversity and inclusivity initiatives (outlined below) are aligned with this succession planning.

### Board diversity policy

The Board recognises that diversity, equality and inclusivity at Board level and throughout the Group are critical to long-term success.

During 2019 the Nomination Committee considered whether it wanted to set specific targets for female representation on the Board. The Committee believes the current focus of diversity and inclusivity should be on the Group as a whole, with the focus on developing a diverse and inclusive talent pipeline as a result of the initiatives outlined below. The Committee is not currently considering setting diversity targets for the Board itself, believing this is not necessarily in the best interests of the Group and its stakeholders. However, gender diversity, and all other aspects of diversity and inclusivity, are considered, along with the balance of skills, experience, independence and knowledge when reviewing appointments to the Board.

Beyond the boardroom and within Unite more generally, we continued to review our approach to diversity, equality and inclusion during 2019. We recognise this as a key building block of our People strategy. The UK workforce and our students are increasingly diverse so in order to remain competitive, we need to develop a diverse, equal and inclusive workplace which will in turn best represent and support our customers.

During 2019, the Operations Board took on responsibility for the diversity and inclusion across the Group. Over the course of the year initiatives focused on:

- Developing our Diversity in Action Group launched in 2017 and led by, and for, employees
- Continued development of our Women's Network, which was established in 2018
- Launching our LGBT network
- Widening our recruitment channels to bring in increased diversity

- Continuing with our annual Diversity, Equality and Inclusion e-Learning for all employees
- Ensuring all customer-facing teams are diverse and appropriately representative of our local communities and our students
- Actively supporting our high-potential female employees
- Ensuring all leadership roles have 50/50 gender balanced shortlists
- Working with Stonewall and Business in the Community to continue to build our knowledge and awareness, and advise on best practice
- Reviewing our HR policies and procedures to be more inclusive with related line-manager training
- Planning to support our non-UK EU employees as part of our Brexit readiness planning
- Training all recruiting managers and the resourcing team on unconscious bias, to ensure that we are recruiting the best person for the job
- Implementation of an 'open chair' at our Operations Board inviting different representatives from the business to share their insight and experience of the organisation
- Introduction of a reverse mentoring programme for our Operations Board
- Reprisal of our 'back to the floor' programme for our Operations Board.

In 2020, we will focus on:

- Continued development of our Women's and LGBT Network followed by further networks as appropriate
- Continuing our focus groups and Pulse Surveys across the organisation to understand more about our employees' needs
- Further use of specialist job boards to support sourcing diverse candidates
- Ongoing recruitment training for all hiring managers
- Continuing to work with Stonewall, Business in the Community and other specialist organisations
- Enhancing our shared parental leave policy to offer our employees with families greater flexibility.

Read more about **Create diverse and engaged teams on page 83**

# Audit Committee

## During the year, the Audit Committee continued its key oversight role for the Board with specific duties as set out in its terms of reference to reassure shareholders that their interests are properly protected in respect of the Group's financial management and reporting.

**Audit Committee Members**

**Ross Paterson**
Chair of the Audit Committe

**Ilaria del Beato**
Non-Executive Director

**Richard Akers**
Non-Executive Director

### Audit Committee Chair's overview

The Audit Committee works to a structured programme of activities, with agenda items focused to coincide with key events in the annual financial reporting cycle. The Audit Committee reports regularly to the Board on its work.

During the year, the Audit Committee has continued to monitor the integrity of the Group's financial statements and supported the Board with its ongoing monitoring of the Group's risk management and internal control systems in line with the requirements under the Corporate Governance Code. The Committee also determined the focus of the Group's internal audit activity, reviewed findings, and verified that management was appropriately implementing recommendations.

During 2019, the Audit Committee undertook the fourth full evaluation exercise of the Deloitte audit approach to ascertain the effectiveness of the external audit function. Further to the completion of the evaluation of the external audit process, we are satisfied with both the auditor's independence and audit approach and have recommended to the Board that Deloitte be re-appointed as auditor in 2020. The Audit Committee also identified a successor audit partner to Judith Tacon at Deloitte and supported the planning for transition to the new audit partner.

We also reviewed the effectiveness of the internal auditors, PricewaterhouseCoopers (PwC), during 2019. We were satisfied with both the independence and effectiveness of the internal auditors. Nevertheless, in light of the major acquisition of Liberty Living in November 2019, we are reviewing the overall risk assurance arrangements, including internal audit, to ensure they are appropriate and effective for the enlarged Group.

Since I reported to you last year, Sir Tim Wilson has retired from the Board and therefore has left the Audit Committee. I found Sir Tim's extensive knowledge of the Group and the higher education sector invaluable since joining the Board in 2017 and I extend to him my thanks for the support and insight he provided as a member of the Audit Committee.

As noted in this Corporate Governance Statement, the Board delegates certain of its duties, responsibilities and powers to the Audit Committee, so that these can receive suitably focused attention. However, the Audit Committee acts on behalf of the full Board, and the matters reviewed and managed by the Audit Committee remain the responsibility of the Directors as a whole.

## Role of the Audit Committee

The Audit Committee has delegated authority from the Board set out in its written terms of reference. The terms of reference for the Audit Committee take into account the requirements of the Code and are available for inspection at the registered office, at the Annual General Meeting and on the Group website at http://www.unite-group.co.uk/about-us/corporate-governance.

The key objectives of the Audit Committee are:

- To provide effective governance and control over the integrity of the Group's financial reporting and review significant financial reporting judgements
- To support the Board with its ongoing monitoring of the effectiveness of the Group's system of internal controls and risk management systems
- To monitor the effectiveness of the Group's internal audit function and review its material findings
- To oversee the relationship with the external auditor, including making recommendations to the Board in relation to the appointment of the external auditor and monitoring the external auditor's objectivity and independence

## Composition of the Audit Committee

The members of the Audit Committee are set out on page 97 of this Corporate Governance Statement. The Audit Committee members are all independent Non-Executives and have been selected with the aim of providing the wide range of financial and commercial expertise necessary to fulfil the Audit Committee's duties. The Board considers that as a chartered accountant and serving Finance Director of a FTSE 250 company, I have recent and relevant financial experience. The Board also considers that the Committee as a whole has competence relevant to the sector in which the Group operates.

Meetings are attended, by invitation, by the Chief Financial Officer and the Group Financial Controller.

I also invite our external auditor, Deloitte, to each meeting. The Audit Committee regularly meets separately with Deloitte without others being present. As appropriate, I also invite our internal auditor, PwC, to attend the meetings. Deloitte and PwC meet independently of management to ensure alignment, to update on respective findings and consider the impact on the relative approaches of their work.

## Audit Committee meetings

The Audit Committee met five times during the year and attendance at those meetings is shown on page 102 of this Corporate Governance Statement.

## Main activities of the Audit Committee during the year

Meetings of the Audit Committee generally take place just prior to a Group Board meeting and I report to the Board, as part of a separate agenda item, on the activity of the Audit Committee and matters of particular relevance to the Board in the conduct of its work. At its five meetings during the year, the Audit Committee focused on the following activities.

The Audit Committee reviewed the half-year and annual financial statements and the significant financial reporting judgements. As part of this review, the Audit Committee supported the Board by reviewing the financial viability and the basis for preparing the accounts on a going concern basis as outlined below. The Audit Committee also reviewed and challenged the external auditor's report on these financial statements.

The Audit Committee discussed the acquisition of Liberty Living including the approach to accounting for the acquisition, governance changes and the challenges the timing of completion of the acquisition posed for the year end timetable.

As discussed above, the effectiveness of the external audit function was considered during 2019. During the evaluation process the Audit Committee considered: the independence and objectivity of the external auditor; the make-up and quality of the audit team; the proposed audit approach and the scope of the audit; the execution of the audit and the quality of the audit report to the shareholders; as well as ultimately the fee structure.

The Audit Committee discussed reports from PwC as the Group's internal auditor on their audit and assessment of the control environment. The Committee reviewed and proposed areas of focus for the internal audit programme of review including the approach to ensure that the internal audit activity continues to be aligned to the principal Group risks.

# Audit Committee continued

## Financial reporting

The primary focus of the Audit Committee, in relation to financial reporting in respect of the year ended 31 December 2019 was to review with both management and the external auditor the appropriateness of the half-year and annual financial statements concentrating on:

- The quality and acceptability of accounting policies and practices
- The clarity of the disclosures and compliance with financial reporting standards and relevant financial and governance reporting requirements
- Material areas in which significant judgements have been applied or where there has been discussion with the external auditor
- Whether the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy

The Audit Committee's assessment of the annual report to ensure that it is fair, balanced and understandable took into account the following considerations:

- A review of what fair, balanced and understandable means for Unite
- The high level of input from the Chief Executive Officer and Chief Financial Officer with early opportunities for the Board to review and comment on the annual report
- Ensuring consistency in the reporting of the Group's performance and management information (as described on pages 40 to 41), risk reviews (as described on pages 42 to 55), business model and strategy (as described on pages 30 to 31 and 38 to 39)
- A cross-check between Board Minutes and the annual report is undertaken to ensure that reporting is balanced
- Whether information is presented in a clear and concise manner, illustrated by appropriate KPIs to facilitate shareholders' access to relevant information

To aid our review, the Audit Committee considers reports from the Group Financial Controller and reports from the external auditor on the outcomes of their half-year review and annual audit. As an Audit Committee, we support Deloitte in displaying the necessary professional scepticism their role requires.

In November 2019, the Group received a letter from the Financial Reporting Council's Conduct Committee, which raised certain queries following its review of the 2018 Annual Report. The Audit Committee assisted management in reviewing and drafting a response to the letter, which included commitments by the Group to provide additional disclosure in this 2019 Annual Report. The Conduct Committee has now closed its inquiry.

## Significant issues considered by the Committee

After discussion with both management and the external auditor, the Committee determined that the key risk of misstatement of the Group's 2019 financial statements related to:

- Property valuations
- REIT compliance
- Joint venture accounting

### Property valuations

The Group's principal assets are investment properties and investment properties under development that are either owned on balance sheet or in USAF or LSAV. The investment properties are carried at fair value based on an appraisal by the Group's external valuers who carry out the valuations in accordance with the RICS Red Book valuation guide, taking into account transactional evidence during the year. The valuation of property assets involves significant judgement and changes in the core assumptions could have a significant impact on the carrying value of these assets.

Management discuss the underlying performance of each asset with the external valuers and provide detailed performance data to them including rents, University lease agreements, occupancy, property costs and costs to complete (for development properties). Management receives detailed reports from the valuers and performed a detailed review of the valuations to ensure that management considers the valuations to be appropriate. The valuation report is reviewed by the Chief Financial Officer and the Property Director prior to sign-off.

During the year, the Committee and/or the Board met with members of the Group's valuer panel and challenged them on the basis of their valuations and their core assumptions, including the yield for each property, rental growth and forecast costs.

The Audit Committee questioned the external valuers on market trends and transactional evidence that supports the valuations. The Audit Committee was satisfied that the Group's valuers were appropriately qualified and provided an independent assessment of the Group's assets. The Audit Committee was satisfied that an appropriate valuation process had taken place, the core assumptions used were reasonable and hence the carrying value of investment and development properties in the financial statements was appropriate.

The external auditor explained the audit procedures to test the valuation of investment and development properties and the associated disclosures. On the basis of the audit work, the external auditor reported no inconsistencies or misstatements that were material in the context of the financial statements as a whole.

Further analysis and detail on asset valuations is set out on page 62.

### REIT compliance

As a REIT, profits from the Group's property rental business and gains on disposal of property assets are exempt from UK corporation tax. As a result, the Group does not recognise a deferred tax liability in relation to unrealised gains on investment properties, or accelerated capital allowances on property rental business assets. Maintaining REIT status involves significant judgement about the future performance of the business and compliance with the REIT rules and there would be a material impact on the Group's tax charge and financial results of not remaining compliant with the REIT regime.

The Group monitors compliance with the REIT requirements on a quarterly basis to confirm that the interest cover test and balance of business test in relation to income are met. The balance of business test relating to assets is determined based on figures at 1 January 2019 and so compliance has already been confirmed for the year.

The Group has modelled tax adjusted property business profits and declared PIDs in respect of the May 19 and November 19 distributions to ensure that the PID requirement will be satisfied. The combined PID from the distributions made during 2019 comprise 97% of the Group's forecast tax exempt property rental business profit, leaving a small amount that can be paid as part of the May 2020 distribution.

### Joint venture accounting

Two of Unite's significant assets are its investments in USAF and LSAV which the Group has historically accounted for as joint ventures.

The Group reports under IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities, which provides guidance on how an investor should account for its interests in other entities, including a definition of control and guidance on how to classify and account for jointly controlled arrangements. During the year, management undertook a detailed review of its classification for both USAF and LSAV, and following that analysis concluded that both USAF and LSAV should continue to be treated as joint ventures. The Audit Committee considered this and agreed there was no material change and accordingly it was appropriate to continue to account for USAF and LSAV as joint ventures under IFRS 11, with Unite recording its 22.0% share of the results and net assets of USAF as a joint venture using equity accounting and likewise 50% for LSAV.

## Other issues considered by the Committee

### LSAV performance fee

The Group is entitled to a LSAV performance fee if the joint venture outperforms certain benchmarks over its life ending in 2022. The Committee discussed the recognition of the LSAV performance fee in 2019, being the first year of recognition. The Committee challenged the assessment of 'highly probable' used to determe the amount to recognise. This included discussion of the estimates used, being future rental income and the discount rate (yield).

### Goodwill and intangible asset impairment

The Committee discussed accounting for the acquisition of Liberty Living as a business combination and concluded the determination to do so did not involve a significant level of judgement. The Committee also discussed the subsequent impairment of goodwill and the Liberty Living brand and agreed that it was appropriate.

## Risk management

The Group's risk assessment process and the way in which significant business risks are managed is a key area of focus for the Audit Committee.

Our work here was driven primarily by performing an assessment of the approach taken by the Group's Risk Committee. The Risk Committee is responsible for the delivery of the Group's Risk Management Framework, which the Audit Committee has approved, and the Group's assessment of its principal risks and uncertainties, as set out on pages 47 to 55.

The Board also formally reviewed the Group's principal risks at two meetings during the year. Through these reviews, the Audit Committee considered the risk management procedures within the business and was satisfied that the key Group risks were being appropriately managed.

The risk assessment flags the importance of the internal control framework to manage risk and this forms a separate area of review for the Audit Committee.

# Audit Committee continued

### Internal controls

Led by the Group's risk assessment process, we reviewed the process by which the Group evaluated its control environment. Management is responsible for establishing and maintaining adequate internal controls. Internal controls are designed to provide reasonable assurance regarding (among other things) the reliability of financial reporting and the preparation of the financial statements for external reporting purposes. A comprehensive strategic planning, budgeting and forecasting process is in place. Monthly financial information and performance insight is reported to the Board.

The Audit Committee's work to review the effectiveness of the internal controls was driven by the Group Financial Controller's reports on the effectiveness of internal controls, supported by the work of the internal auditor and their reports to the Audit Committee. The feedback from the Group's internal auditor on specific areas of control is tested on a periodic basis and our external auditor is requested to provide specific feedback and assessment of the Group's financial controls and highlight any areas of weakness. No significant weaknesses were identified through the course of the Audit Committee's reviews.

### Internal audit

The Group engages PwC to perform internal audit activity, with this internal audit function reporting directly to the Audit Committee.

The Audit Committee considered and approved the scope of the internal audit activity to be undertaken during 2019 and looking forward on a 12 month basis to ensure that the internal audit approach is more adaptable to the risk environment. The Audit Committee also discussed and challenged the output from the internal audit reviews undertaken in the prior year and concluded that the reviews provided good support for statements made by management and that the control environment is robust in the areas tested over the last three years.

During the year, PwC focused their internal audit work on maintenance management, nomination agreements and financial controls. Overall, PWC concluded that there were no significant issues and controls were well designed, but noted there were some areas of improvement to be made to maximise controls and operational efficiency, which management is in the process of implementing.

### External audit

The effectiveness of the external audit process is facilitated by appropriate audit risk identification at the start of the audit cycle which we receive from Deloitte in a detailed audit plan, identifying their assessment of these key risks.

For the 2019 financial year, the significant risks identified were in relation to valuation of properties, REIT compliance, classification of joint ventures, accounting for the acquisition of Liberty Living, revenue recognition and management override. These focus areas were discussed at the Audit Committee and it was agreed that they should be the principal areas of focus as they represent the areas with the greatest level of judgement and materially impact the overall performance of the Group. These risks are tracked through the year and we challenged the work done by the auditor to test management's assumptions and estimates around these areas.

We assess the effectiveness of the audit process in addressing these matters through the reporting we receive from Deloitte at both the half-year and year-end and also reports from management on how these risks are being addressed.

For the 2019 financial year, the Audit Committee was satisfied that there had been appropriate focus and challenge on the primary areas of audit risk and assessed the quality of the audit process to be good. We hold private meetings with the external auditor at each Audit Committee meeting to provide additional opportunity for open dialogue and feedback from the Audit Committee and the auditor without management being present. Matters typically discussed include:

- The auditor's assessment of business and financial statement risks and management activity thereof
- The transparency and openness of interactions with management, confirmation that there has been no restriction in scope placed on them by management and the independence of their audit
- How they have exercised professional scepticism

I also meet with the external lead audit partner outside the formal Audit Committee process.

### Independence and external audit tender

The Audit Committee considers the re-appointment of the external auditor, including the rotation of the audit partner which is required every five years, each year and also assesses their independence on an ongoing basis. 2019 is the fifth year during which Deloitte has been the Group's external auditor. Judith Tacon is the engagement partner and has been on the audit team since Deloitte's appointment. The 2019 year end audit will be the last year under the Financial Reporting Council's APB Ethical Standards that Judith Tacon will be able to hold the role of Senior Statutory auditor. As a result, in 2020 Judith Tacon will hand over to Stephen Craig as Deloitte LLP's lead audit partner for Unite.

The Audit Committee reviewed Deloitte's audit work and determined that appropriate plans are in place to carry out an effective and high-quality audit. Deloitte confirmed to the Audit Committee that it maintained appropriate internal safeguards to ensure its independence and objectivity. As part of the Audit Committee's assessment of the on-going independence of the auditor, the Audit Committee receives details of any relationships between the Group and Deloitte that may have a bearing on their independence and receives confirmation that they are independent of the Group.

As discussed above, an assessment of Deloitte's effectiveness, its processes, audit quality and performance was undertaken in May 2019 following completion of the 2018 audit.

The Audit Committee regularly reviews its relationship with the external auditor, including consideration as to when it next intends to complete a competitive tender process for the Company's external audit. As noted above, the Audit Committee remains satisfied with Deloitte's effectiveness and independence. In view of this, the Audit Committee does not currently anticipate that it will conduct an audit tender before 2024 in respect of the 2025 financial year for which a tender would be required in accordance with applicable law and regulations. The Audit Committee considers this to be in the best interests of the Company's shareholders for the reasons outlined above and will keep this decision under review.

The Committee confirms compliance with the provisions of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014.

## Non-audit services

To further safeguard the objectivity and independence of the external auditor from becoming compromised, the Committee has a formal policy governing the engagement of the external auditor to provide non-audit services. No material changes have been made to this policy during the year. This precludes Deloitte from providing certain services, such as valuation work or the provision of accounting services.

For certain specific permitted services (such as reporting accountant activities and compliance work), the Audit Committee has pre-approved that Deloitte can be engaged by management, subject to the policies set out above, and subject to specified fee limits for individual engagements and fee limits for each type of specific service. For all other services, or those permitted services that exceed the specified fee limits, I as Chairman, or in my absence, another member, can pre-approve permitted services.

During the year, Deloitte were appointed to undertake non-audit services. Fees for non-audit work performed by Deloitte for the year ended 31 December 2019 were £2.0 million (2018: £0.3 million). Further disclosure of the non-audit fees incurred during the year ended 31 December 2019 can be found in note 2.6 to the consolidated financial statements on page 190. Non-audit services related almost entirely to Reporting Accountant services provided in respect of the acquisition of Liberty Living, which included a report on the historical financial information of Liberty Living, a financial position and prospects report, a working capital report, a synergy report and accounting and tax comfort letters. The Audit Committee is comfortable that Deloitte's continued objectivity and independence has not been compromised due to the nature of the reporting accountant procedures. We considered the nature of the non-audit work to be principally 'assurance', concluding that the auditors were best placed to provide the highest quality of assurance in that context and that their independence and effectiveness as auditors would not be impaired by doing so.

The Audit Committee approved the fees for audit services for 2019 after a review of the level and nature of work to be performed, including the impact of the acquisition of Liberty Living and accounting standard changes, and after being satisfied by Deloitte that the fees were appropriate for the scope of the work required. These fees are also benchmarked against other listed real estate companies of comparable size and complexity.

## Audit Committee evaluation

The Audit Committee's activities formed part of the evaluation of Board effectiveness performed in the year. Details of this process can be found under 2019 Performance evaluation on page 106.

**Ross Paterson**
**Chair – Audit Committee**
26 February 2020

## Health & Safety Committee

# Safe and Secure is the first of our three brand promises – the cornerstone of providing a home for our 74,000 students.

### Health & Safety Committee Members

**Professor Sir Steve Smith***
Chair of the Health & Safety Committee

**Richard Smith**
Chief Executive Officer

**Dame Shirley Pearce**
Non-Executive Director

**Elizabeth McMeikan**
Senior Independent Director

**Ilaria del Beato**
Non-Executive Director

* Professor Sir Steve Smith will Chair the Health and Safety Committee when he joins the Board on 1 April2020.

Unite Students is home to 74,000 students. For many, this is their first time living away from home. Being safe and secure is at the heart of everything we do – our focus on the safety and wellbeing of all our customers, employees, contractors and other visitors to our properties.

I would like to thank Sir Tim Wilson, who stepped down from the Board on 31 December 2019 following nine years of service, for his safety governance leadership as Chair of our Health & Safety Committee. Sir Tim's leadership has, among things, overseen the implementation of a comprehensive safety assurance program. This culminated in the Group receiving a Five-star (out of five) rating from the British Safety Council following an Occupational Safety Audit at the end of 2019. Professor Sir Steve Smith joins the Board on 1 April 2020 and will Chair our Health and Safety Committee going forwards. His wide ranging HE sector experience and hands on knowledge of the operational aspects of University life will help us continue to improve our safety governance.

Fire remains one of our top safety risks, with the fire at the student accommodation building 'The Cube' in Bolton a timely reminder of the critical importance of fire safety. Following our comprehensive review and replacement of ACM cladding in 2018, during 2019 we reviewed our estate for HPL (High Pressure Laminate) and are conducting a broader review on cladding. We have appointed a new Head of Fire Safety with hands-on fire safety experience in both the London Fire Brigade and other Fire Safety Management roles bringing his leadership and experience to strategically manage fire safety across our enlarged portfolio. This appointment is especially critical and timely as we look to integrate the fire safety strategy of the Liberty Living properties with ours.

During 2019, we expanded and regionalised our Health, Safety and Security team, allowing closer and more 'on the ground' support for our Operations teams helping them deliver our Safe and Secure promise. This also allows our strengthened regional teams to better support the successful integration with Liberty Living, ensuring the safety of our teams and customers remains our key priority.

Our focus for 2020 remains on providing absolute confidence to our customers, employees, visitors and parents/guardians on the safety of our properties and how we operate them. We will also concentrate on providing information and education to our customers on how they can keep themselves safe and secure in their homes.

## Health and Safety Committee meetings

The Health and Safety Committee met three times during the year and attendance at those meetings is shown on page 102.

## Highlights from 2019

At the beginning of the year, we committed to our teams that their safety and security would be a priority for the upcoming year. We have made huge progress towards this commitment by the following:

- **Safe & Secure Plans for each city.** Our teams have worked together to create a bespoke plan for each city identifying issues that might make our customers or team members feel unsafe e.g. issues with access, CCTV or anti-social behaviour. Our focus for 2020 will be embedding these plans in each city.
- **H&S Audit:** Each property has had an external H&S audit carried out by NSF International in addition to a site-specific Fire Risk Assessment with FCS Live. This increased level of focus has enabled our teams to have an independent view of H&S, Fire & Security in their properties. We will continue with this level of auditing into 2020 to provide a year-on-year comparison of performance and will benchmark ourselves against similar accommodation providers. We also conducted three British Safety Council audits (see below).
- **H&S Culture** can be difficult to measure, but the introduction of the Operations Board Compliance Committee has supported a renewed focus on Health, Safety & Security across the business with the senior leadership setting the appropriate tone from the top. Our employee engagement survey has also highlighted that our teams understand the importance of working together to ensure high standards to keep their colleagues and customers safe.
- **Security Risk Management Training and Business Continuity Plans.** Our Service & Safety Supervisors, along with Area Managers, Regional Estates Managers and Regional H&S Managers have attended a five day Security Risk Management Course. Following this each site has produced a Business Continuity Plan highlighting the property specific actions and information required to manage an incident and resume ‘business as usual’ within a reasonable timescale.
- **Safe and Secure Month** was conducted across the country. This saw a weekly focus throughout October on the new Health & Safety procedures and our operations teams engaged with local emergency services and enforcement authorities to run educational activities and events.

## British Safety Council (BCS) audits

The British Safety Council conducted three comprehensive safety audits in November and December 2019. These comprised of an Occupational Health & Safety Audit, a Fire Safety Audit and a Construction Audit.

Unite Students achieved a Five-star rating following an Occupational Health & Safety Audit in November. The audit measures our performance against a number of key safety management indicators, providing organisations with a worldwide benchmark of their safety management systems against current best practice to enable continual improvement. This result reflects significant improvement from our last audit 18 months ago, where we were awarded a Four-star rating.

This achievement is the culmination of hard work and investment across the business, including additional health and safety resource and improved accountability and ownership of health and safety across the business. The hard work does not stop here and we remain committed to both understanding how we keep our students and employees safe, and executing this to the very best of our ability.

The main themes that we will now focus on are aligning our employee wellbeing offering with our customer welfare support. We will also continue to focus on embedding our Health and Safety Management system across our business and developing our H&S Training programme further.

The Fire Safety Audit concluded that progress has been made with our fire safety management system and acknowledges the significant investment made in fire safety. The focus areas are to continue with our programme of fire safety training and running fire evacuation simulations.

The Construction Audit highlighted some areas for improvement at site level that we will address with our construction partners. We have also introduced further third party H&S support for the Property Development Team.

# Health & Safety Committee continued

## Top-five safety focus areas for 2020

We have streamlined our safety approach to focus on the below five high priority areas through 2020. This targeted approach around low frequency, high consequence events means we are focused on significant risks that may cause harm. We have aligned members of our Operations Board with each of these five areas and they are reviewed regularly at the Operations Board Compliance Committee.

- Fire safety
- Contractor safety
- Electrical safety
- Driving for work
- Work at height

## Incidents

We had two RIDDOR reports for 2019, which is a reduction from 2018. Both of these incidents related to our employees and both have been investigated, with preventative measures put in place to prevent a reoccurrence. In 2020 we are reviewing our H&S software provision to ensure that the H&S Team are more insight driven and are able to use predictive technology to look at where incidents are most likely to occur as well as monitoring trends of where they currently occur.

## Mental health and wellbeing

Mental health for young people continues as an increasing concern for the Higher Education sector and also for us at Unite, especially since we are home to so many young people while they are at University. Welfare Leads receive mental health first-aid training to look for signs and signpost help. The Student Support Services and Welfare team are embedded within each regional team and provide support to employees and students alike, working closely with University support teams.

## Property Development

We have continued our drive in the improvement in safety, wellbeing and mental health on our Development sites. This has focused on:

- Mental Health – supported by our Framework Contractors all developments are registered with Mates in Mind. This registration enables each site to support and proactively promote metal health and wellbeing of our sites
- Putting a number of our own Development Project Managers through mental health first aid training delivered by the British Safety Council
- Continuing to deliver year-on-year improvement in our H&S KPIs across all our development sites
- Delivering improvement in the welfare standards across all developments. White Rose View, Leeds has set a new baseline for the standards expected from site welfare delivering standards similar to the common rooms we provide for our students including pool tables
- All developments commencing on site in 2019 being recognised as Considerate Construction Scheme ‘Ultra Sites’ – these developments represent the pinnacle of achievement in exceeding the CCS’s Code of Considerate Practice

## Remuneration Committee

# On behalf of the Board, it is my pleasure to present the Directors' Remuneration Report for 2019.

**Remuneration Committee Members**

**Elizabeth McMeikan**
Chair of the Remuneration Committee

**Phil White**
Chairman

**Ross Paterson**
Non-Executive Director

**Richard Akers**
Non-Executive Director

**Dame Shirley Pearce**
Non-Executive Director

Dear Shareholder,

As in previous years, this report is split into three sections: this Annual Statement, the Policy Report and the Annual Report on Remuneration. You may recall that we submitted our remuneration policy to a binding shareholder vote at the 2019 AGM and this was very well supported by shareholders, receiving 96.85% votes in favour. No changes are proposed to the policy this year, but we have reproduced the policy table in full over pages 126 and 127 for both ease of reference and in order to provide context to the decisions taken by the Committee during the year.

### 2019 performance and reward

2019 saw continued strong core business performance achieved alongside the transformational acquisition of Liberty Living, completed very late in the year.

Financial highlights included a 25% increase in EPRA earnings (15% on a per share basis), a Total Accounting Return (TAR) of 11.8%, an EBIT margin of 71.7% and a 14% (4.2p) increase to our full year dividend. Our three-year TSR has continued to materially outperform the FTSE 350 Real Estate Index, with an investment of £100 in Unite shares in December 2016 worth £227 as at 31 December 2019, compared to £130 for a similar investment in the Index. Additionally, Unite was the top performing stock in the real estate sector over the course of 2019.

Operational performance has also been strong with continued high customer satisfaction levels and University trust scores reflecting Unite's strong brand and operating platform, the quality of our portfolio and our deep relationships with Universities. 2019 saw the commencement of new long-term nomination agreements with the University of Birmingham and Oxford Brookes University, and in October we agreed commercial terms on a nomination agreement with the University of Leeds. The health and safety of our students and employees remains central to everything we do and so it was pleasing to see the Group's hard work and investment culminating in a Five-star audit rating score from the British Safety Council (BSC).

In the second half of the year we announced the proposed acquisition of Liberty Living, and following both shareholder approval and CMA clearance, we were delighted to complete this deal on 29 November 2019. The deal is truly transformational and is intended to bring significant strategic and financial benefits to Unite over the coming years. Whilst we are mindful of the large amount of hard work still to do in order to consider the acquisition a success, the Committee is confident in the team's ability to deliver its stated cost synergies and operational enhancements across the significantly enlarged portfolio, whilst maintaining the Group's commitment to strong balance sheet management and financial prudence.

## Remuneration Committee continued

Targets applying to the 2019 annual bonus were set at the start of the year and took into account both internal and external expectations at the time, but not the impact of the Liberty Living acquisition. In order to ensure the outturn for incentive purposes could be compared with the original targets on a like-for-like basis and reflecting how late in the performance period the acquisition actually completed following shareholder approval and CMA clearance, the Committee considered that the fairest approach for annual bonus participants was to ring-fence the Liberty Living acquisition and to assess financial (EPS, TAR and net debt to EBITDA) performance in respect of the legacy Unite business for 2019 through adjustments to the year's reported outturn under these elements of the bonus. Adjustments were both upwards and downwards, and were applied consistently across the employee population where applicable. Further details are included on page 137.

In respect of Executive Directors, the resulting annual bonus outcome was 80.9% of maximum. The Committee was satisfied that these adjustments were appropriate in the circumstances, with the final result reflecting another year of very strong performance by the Group and the significant contributions made by both Executive Directors. The Committee further considered that an annual bonus outcome which is c.6% higher than that in 2018 was justified when reflecting on the various achievements over each of these periods.

In line with the new remuneration policy, as both Executive Directors had achieved their applicable shareholding guidelines as at the date of assessment, amounts over 100% of salary will be deferred in Unite shares for two years. Further details, including bonus targets, outcomes and details of personal achievements are included on page 136 and 137.

Performance share awards made in April 2017 were tested for performance at 31 December 2019. These awards were based equally on EPS, TAR and TSR outperformance of the FTSE350 Real Estate 'Super Sector' Index. As with the annual bonus, the Committee resolved to assess financial performance in respect of only the legacy Unite business for 2019 through the same adjustments to the reported outturn under the EPS and TAR elements of the award.

Over the three-year performance period Unite's relative TSR significantly outperformed the comparator Index, with the adjusted EPS and TAR outturns both coming in at or towards the upper end of the performance ranges set in 2017. Overall vesting of the 2017 awards was therefore 97.1% of maximum. In approving this outcome, the Committee was satisfied that the vesting level reflects the underlying performance of the Company and the continued progress made over the last three years. Those awards vesting will be subject to a two-year holding period following formal vesting in April 2020, and will only be released to Executive Directors in April 2022. Further details are included on page 138.

Taken as a whole, the Committee is satisfied that overall pay outcomes in respect of the year ended 31 December 2019 are appropriate and reflect Unite's performance over the last one to three years. Our remuneration structure places a significant weighting on variable pay, motivating executives to deliver against stretching short- and long-term targets aligned with Company strategy. The annual bonus outcome reflects another good year, with strong financial, operational and individual performance generating an overall outcome of 80.9% of maximum. Vesting of the 2017 LTIP – which constitutes the largest part of each Executive Director's single figure for the year – reflects strong longer-term financial and operational performance, and further significant value creation over the three-year measurement period.

Finally, Executive Directors were each granted an award under the LTIP in July 2019 which will vest based on performance over the three financial years to 31 December 2021. These awards will vest only to the extent that challenging EPS, TAR and relative TSR targets are achieved over the period, with any award vesting required to be held for an additional two-year period in line with our remuneration policy. In a slight change to previous years, and as noted in last year's report, the TAR element of this award will be measured relative to the FTSE 350 Real Estate Supersector Index using a simple ranking approach (cf. absolute targets previously), whilst the relative TSR element will also be based on a simple ranking against the constituents of the FTSE 350 Real Estate Supersector Index (cf. % outperformance of Index in previous years). Further details are included on pages 141 and 142.

### 2020 LTIP and shareholder consultation

Taking into account the truly exceptional nature of the Liberty Living transaction, and mindful of the significant effort of senior management through the challenging project, the Committee consulted with Unite's largest shareholders on using the exceptional limits in the Remuneration Policy to make 2020 LTIP awards of 300% of salary to Executive Directors (cf. 200% of salary normal awards). It was proposed that the additional 100% of salary would vest based on objectives linked to the successful integration of Liberty Living and delivery of Group strategy, focussing on both what has been achieved and how it has been achieved over the next three years.

Overall the Committee received input from shareholders representing c.55% of Unite's issued share capital during the consultation process. While on balance there was majority support for the proposals, feedback received was mixed. Mindful of the perspectives of Unite's other important stakeholders, and keen to maintain a strong level of shareholder support, the Committee concluded that withdrawing the proposal for Executive Directors would be the right approach. 2020 LTIP awards to Richard and Joe will therefore continue to be 200% of salary, with vesting based on stretching three-year EPS, TAR and TSR targets. Further details are included on page 144.

In addition to Executive Directors, the original proposal to grant exceptional LTIP awards extended to all other LTIP participants. On balance, the Committee felt that the transformational nature of the acquisition and the need to retain and reward key management personnel through the integration process remained vitally important. Accordingly, we will be proceeding with the proposal to grant below-Board participants exceptional LTIP awards equivalent to an additional 50% of their normal award levels in 2020. These awards will be linked to the same core LTIP metrics of EPS, TAR and TSR rather than different integration-specific metrics.

## Update on Unite pension arrangements

Reflecting the revised UK Corporate Governance Code and shareholder feedback, as part of last year's Remuneration Policy review we committed that any new Executive Director appointee at Unite would receive a company contribution in line with the level available to the majority of the workforce. Conscious of a planned review of employee pensions which was due to take place over the course of 2019, we did not provide details of a specific percentage, but committed to clarify this in a future report once more details were known.

At the same time, we committed to cap pension contributions to our current Executive Directors in monetary terms with effect from 1 March 2019, the intention being that by capping the £ company contribution, the implied percentages of salary would fall gradually over time.

The Committee is now in a position to provide further details on both of these areas:

### Review of workforce pensions and implication for new Executive Director appointees

Prior to the 2019 review, Unite's employee pension provision comprised two schemes, with participation dependent on both tenure of employment within the Group and on Grade. A review of these arrangements identified a number of challenges, not least the ease of communication from running multiple schemes and the competitiveness of offering, particularly for new employees.

Following an in-depth review, and with effect from 1 January 2020, all employees within the Group will move to a single scheme offering greater flexibility in savings habits, and supporting the principle that all employees should, where possible, be encouraged to save a little more for retirement. The scheme will offer a greater number of savings options (and smaller steps), with employee contributions running from 4% to 10% of salary, matched by a corresponding 1% higher contribution from Unite. As is currently the case, employees subject to annual or lifetime savings limits will be offered a cash alternative in lieu. The new scheme is also Grade-neutral, meaning all employees have the same savings opportunities open to them, supporting simplicity and allowing for improved communication and education across the Group.

In accordance with this new scheme, the Committee can now confirm that any new Executive Director appointee would be eligible to participate on the same basis, with a maximum employer contribution (or cash in lieu) of 11% of salary. We have added this clarification to the remuneration policy on page 126.

### Pension contributions for existing Executive Directors

The Committee has continued to monitor market practice and investor guidelines with regards to Executive Director pensions during 2019, and is conscious that this has become a topic of particular importance for shareholders and other stakeholders.

In agreement with the Executive Directors, the Committee will reduce the employer pension contribution to Richard Smith and Joe Lister in three stages with effect from 1 January 2021. This will reduce the contribution level to an equivalent of 17%, 14% and 11% of salary for the 2021, 2022 and 2023 financial years respectively, ensuring alignment with the broader workforce over a reasonable timeframe. Pension contributions for the 2020 financial year will be subject to the same £-caps disclosed last year.

## Other adjustments to incentive targets

In addition to the aforementioned adjustments to the reported financial outturns for the purposes of assessing the 2019 annual bonus and 2017 LTIP, the Committee reviewed the targets applying to the other in-flight incentives to ensure they remained appropriate.

Following the completion of the acquisition of Liberty Living, the Committee resolved to increase the EPS target ranges applying to both the 2018 and 2019 LTIPs to reflect the acquisition plan around earnings accretion, as well as the positive benefits of the IFRS 16 accounting standard change. The Committee is satisfied that the revised EPS target ranges are of equivalent difficulty to the targets originally set and remain challenging but achievable for LTIP participants.

## Remuneration Committee continued

### Implementation of Policy for 2020

The Committee remains confident that the remuneration policy continues to effectively support Unite's short- and long-term strategic objectives and promote management and shareholder alignment.

Effective 1 January 2020, Executive Director salaries will be increased by 3.0% in line with the broader employee population. Pension contributions will continue to be capped at £91,710 per annum for Richard Smith and £74,650 per annum for Joe Lister.

The annual bonus will operate on the same basis as last year, with a maximum opportunity of 140% of salary and performance assessed against a range of key financial and non-financial measures, and personal/team objectives. As detailed above, the operation of the LTIP will be similarly unchanged, with awards of 200% of salary vesting based on stretching three-year EPS, relative TAR and relative TSR targets and a mandatory two-year holding period applying. Full details are included on pages 143 and 144.

### Workforce remuneration considerations

The Committee continues to monitor pay and practices across the wider workforce when considering the remuneration of Executive Directors, for example in approving salary increases and in refining our approach on pension contribution levels. The Group People Director is invited to attend Committee meetings on a regular basis to provide updates on workforce initiatives and offer an employee perspective to the Committee's deliberations.

For the first time we have disclosed ratios of CEO pay to the wider population, shown on page 139. Although it is expected that the movement in the headline figures will depend predominantly on the extent to which long-term incentives pay out, the Committee will monitor these ratios – as well as ratios of fixed pay and pay excluding long-term incentives – as part of its overall deliberations on executive remuneration.

Finally, the Committee also continues to consider and embrace diversity in the workforce. Details of our gender diversity across the Group are provided on page 86, with the Committee pleased to note the headline 4.8% reduction to 5% in Unite's median gender pay gap for 2018/19. We remain confident in the Group's commitment to building a diverse, inclusive and gender-balanced workforce and are encouraged by the strong progress made in this area during 2019.

### Board changes

Having served six years and nine years respectively as Non-Executive Directors at Unite, Andrew Jones and Sir Tim Wilson stepped down from the Board during the year. During the year we were pleased to welcome two new Non-Executive Directors, Dame Shirley Pearce and Thomas Jackson, to the Unite Board, with Shirley also joining the Remuneration Committee from the date of her appointment. Fees paid to Shirley are in line with the fees paid to the other Non-Executive Directors, as disclosed on page 135. Reflecting the Relationship Agreement with CPPIB Holdco, Thomas Jackson will not receive any fees in respect of his Non-Executive Director position with Unite.

We will also be adding further to our Higher Education sector experience in 2020 with the appointment of Professor Sir Steve Smith to the Board as a Non-Executive Director in April.

### Looking ahead

With our planned reduction to incumbent Executive Director pension contributions over the next few years, the Committee considers that Unite executive remuneration is in line with best practice and the UK Corporate Governance Code. In particular, the Committee continues to believe that the current remuneration structure is clear, simple, and appropriately aligned with the Company's strategy, risk appetite and culture, and that incentives are appropriately capped. It is intended that any future Policy review be focussed on similar objectives.

As ever, we will continue to monitor market developments throughout the 2020 AGM season and will consider the appropriateness of any emerging trends for Unite. I hope that you find this report a clear account of the Committee's decisions for the year and would be happy to answer any questions you may have at the upcoming AGM.

**Elizabeth McMeikan**
**Chair of Remuneration Committee**
26 February 2020

## Overview of Unite remuneration policy and implementation

| Remuneration in respect of 2019 | Overview of policy | Implementation of policy in 2020 |
|---|---|---|
| **Base salary** | | |
| • Salaries increased by 2.5% in line with the broader employee population effective 1 March 2019, as follows:<br>– CEO, Richard Smith = £458,556<br>– CFO, Joe Lister = £373,244 | • Reviewed from time to time, with reference to salary levels for similar roles at comparable companies, to individual contribution to performance; and to the experience of each Executive. | • Salaries increased by 3.0% in line with the broader employee population effective 1 January 2020, as follows:<br>– CEO, Richard Smith = £472,313<br>– CFO, Joe Lister = £384,441 |
| See page 143 | See page 126 | See page 143 |
| **Pension, benefits** | | |
| • Pension contributions (or equivalent cash allowance):<br>– CEO, Richard Smith = £91,710<br>– CFO, Joe Lister = £74,650<br>• Benefits in line with policy. | • For existing Executive Directors: contributions (or an equivalent cash allowance) capped in monetary terms.<br>• For new Executive Director appointees: company pension contributions aligned with the broader workforce (11% of salary).<br>• Benefits typically consist of the provision of a company car or a car allowance, and private health care insurance. | • Pension contributions to remain capped at the same £ levels applied in 2019.<br>• No change to benefits for 2020. |
| See page 143 | See page 126 | See page 143 |
| **Annual bonus** | | |
| • Annual bonuses of 113.3% of salary for each Executive Director (80.9% of maximum opportunity).<br>• Bonuses in excess of 100% of salary to be deferred in Unite shares for two years; remainder to be paid in cash. | • Maximum annual bonus opportunity for all Executive Directors of 140% of salary.<br>• Performance measures typically include both financial and non-financial metrics, as well as the achievement of individual objectives.<br>• Where an individual has met their shareholding guidelines, any bonus over 100% of salary is deferred in shares for two years; where an individual has not met their shareholding guidelines, up to 50% of bonus earned is deferred in shares for three years.<br>• Malus and clawback provisions apply. | • Maximum annual bonus opportunities of 140% of salary.<br>• 2020 bonuses to be based:<br>– 25.0% on adjusted EPS<br>– 25.0% on TAR per share<br>– 20.0% on net debt to EBITDA<br>– 10.0% on customer satisfaction<br>– 10.0% on University reputation<br>– 10.0% on personal/team objectives |
| See page 136 and 137 | See page 127 | See page 143 |
| **LTIP** | | |
| • 2017 LTIP vested at 97.1% based on:<br>– 2019 adjusted EPS of 41.3p vs. a stretch target of 42.0p<br>– Total Accounting Return over the period 2017–19 of c. 44.4% vs. a stretch target of 44.3%; and<br>– Relative TSR outperformance of the FTSE350 Real Estate Index of 20.3% p.a. vs. a stretch target of 9% p.a. | • Maximum award size for all Executive Directors of 200% of salary in normal circumstances (up to 300% of salary in exceptional circumstances).<br>• Awards vest subject to performance over a three-year period. Vested shares are typically subject to an additional two-year holding period<br>• Malus and clawback provisions apply. | • Awards of 200% of salary to be made to each Executive Director in April 2020.<br>• Performance to be measured over the period 1 January 2020 to 31 December 2022 against stretching EPS, relative TAR and relative TSR targets, each weighted one-third.<br>• Two-year holding period will apply to all vested shares. |
| See page 138 | See page 127 | See page 144 |

# Remuneration Committee continued

## 2019 Remuneration at a glance

### 2019 Single total figure of remuneration for current Executive Directors

| | Salary | Taxable benefits | Pension | Annual Bonus | LTIP | Other | Total |
|---|---|---|---|---|---|---|---|
| Richard Smith | £456,692 | £16,195 | £80,957 | £519,361 | £1,653,245 | £4,499 | £2,730,949 |
| Joe Lister | £371,726 | £16,928 | £66,084 | £422,736 | £1,346,291 | £0 | £2,223,765 |

### 2019 Annual Bonus outcomes

| Measure | | Weight | Threshold<br>30% of maximum | On target<br>50% of maximum | Maximum<br>100% of maximum | Actual | Outcome (% of max) |
|---|---|---|---|---|---|---|---|
| Adjusted EPS | | 25% | 37.4p | 39.0p | 42.0p | 41.3p* | 88.3% |
| TAR per share | | 25% | 80.6p | 89.5p | 103p | 98.5p* | 83.3% |
| Net debt to EBITDA ratio | | 20% | 7.4x | 7.2x | 6.9x | 5.9x* | 100.0% |
| Customer satisfaction | | 10% | 84 | 85 | 87 | 85 | 50.0% |
| University reputation | | 10% | 82 | 83 | 84 | 82 | 30.0% |
| Personal/team objectives | Richard Smith<br>Joe Lister | 10% | Objectives and performance assessment included in Annual Report on Remuneration (page 136) | | | | 100.0% |

| Executive | Max opportunity (% of salary) | Overall outcome (% of maximum) | Outcome (% of salary) | Outcome |
|---|---|---|---|---|
| Richard Smith | 140.0% | 80.9% | 113.3% | £519,361 |
| Joe Lister | 140.0% | 80.9% | 113.3% | £422,736 |

### 2017–2019 LTIP outcomes

| Measure | Weight | Threshold<br>25% vest | Stretch<br>100% vest | Actual | Vesting (% of max) |
|---|---|---|---|---|---|
| 2019 Adjusted EPS | 1/3 | 36.0p | 42.0p | 41.3p* | 91.3% |
| TAR (2017–2019) | 1/3 | 22.5% (7% p.a.) | 44.3% (13% p.a.) | 44.4%* (13% p.a.) | 100.0% |
| Relative TSR outperformance | 1/3 | Index | Index +9% p.a. | Index +20.3% p.a. | 100.0% |

| Executive | Overall vesting (% of maximum) | Interests vesting | Date vesting | Estimated value (incl. dividends) |
|---|---|---|---|---|
| Richard Smith | 97.1% | 133,431 | 10 April 2020 (holding period applies until 10 April 2022) | £1,653,245 |
| Joe Lister | | 108,754 | | £1,346,291 |

* Adjusted from reported figures. Further details are included in the Annual Statement and on pages 137 and 138.

# Directors' Remuneration Policy

This report has been prepared in accordance with the provisions of the Companies Act 2006 and Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended). It also meets the requirements of the UK Listing Authority's Listing Rules and the Disclosure and Transparency Rules.

In accordance with the Regulations, the following sections of the Remuneration Report are subject to audit: the Single total figure of remuneration for Directors and accompanying notes (pages 134 to 138), Scheme interests awarded during the financial year (page 141), Payments to past Directors (page 142), Payments for loss of office (page 142) and the statement of Directors' shareholdings and share interests (pages 145 and 146). The remaining sections of the report are not subject to audit.

Unite's remuneration policy was approved by shareholders at the 2019 AGM on 9 May 2019. The report below, save for a number of minor changes, is as disclosed in the 2018 Directors' Remuneration Report, which is available to download from the Company's website at www.unite-group.co.uk/investors. The following changes have been made:

- References to financial years have been updated where appropriate;
- References to changes to the 2016 policy have been removed;
- The policy on pension contributions for new Executive Director appointees has been clarified to reference the rate now available to the majority of employees of 11% of salary;
- The policy on pension contributions for existing Executive Directors has been updated to reference the planned reduction to contribution rates from 1 January 2021;
- Pay-for-performance scenario charts have been updated to reflect 2020 salaries and pension contributions;
- New Non-Executive Director service contract dates have been added.

### Directors' Remuneration Policy

The Group aims to balance the need to attract, retain and motivate Executive Directors and other senior executives of an appropriate calibre with the need to be cost effective, whilst at the same time rewarding exceptional performance. The Committee has designed a remuneration policy that balances those factors, taking account of prevailing best practice, investor expectations and the level of remuneration and pay awards made generally to employees of the Group.

In addition to the above, the remuneration policy for the Executive Directors and other senior executives is based on the following key principles:

- A significant proportion of remuneration should be tied to the achievement of specific and stretching performance conditions that align remuneration with the creation of shareholder value and the delivery of the Group's strategic plans, taking care to consider the needs of all stakeholders.
- There should be a focus on sustained long-term performance, with performance measured over clearly specified timescales, encouraging executives to take action in line with the Group's strategic plan, using good business management principles and taking well considered risks.
- Individuals should be rewarded for success, but steps should be taken, within contractual obligations, to prevent rewards for failure – whether financial or operational.
- Above all, Executive Remuneration should support the values and culture of the Group. Pay should be simple and easy to understand, with all aspects clear and openly communicated to stakeholders and with alignment with pay philosophies across the Group.

This section of the report sets out the policy which the Company asked shareholders to approve at the 2019 AGM and which came into effect from that date.

# Directors' Remuneration Policy continued

## Policy Table

| Function | Operation | Opportunity | Performance metrics |
|---|---|---|---|
| **Base salary** | | | |
| To recognise the individual's skills and experience and to provide a competitive base reward. | Base salaries are reviewed from time to time, with reference to salary levels for similar roles at comparable companies, to individual contribution to performance; and to the experience of each Executive. | Any base salary increases are applied in line with the outcome of the review as part of which the Committee also considers average increases across the Group.<br><br>In respect of existing Executive Directors, it is anticipated that salary increases will generally be in line with those of salaried employees as a whole. In exceptional circumstances (including, but not limited to, a material increase in job size or complexity) the Committee has discretion to make appropriate adjustments to salary levels to ensure that they remain market competitive. | None |
| **Pension** | | | |
| To provide an opportunity for executives to build up income upon retirement. | All executives are either members of The UNITE Group Personal Pension scheme or receive a cash pension allowance.<br><br>Salary is the only element of remuneration that is pensionable. | Existing Executive Directors receive a company pension contribution or an equivalent cash allowance which is capped in monetary terms at 20% of the salary effective at 1 March 2019, as follows:<br>• Richard Smith: £91,710<br>• Joe Lister: £74,650<br><br>These caps will continue to apply for 2020. Company contribution levels will be reduced from 1 January 2021, 2022 and 2023 to an equivalent of 17%, 14% and 11% of salary respectively.<br><br>For future Executive Director appointees, the maximum company pension contribution will be aligned to that offered to a majority of employees across the Group in percentage of salary terms (currently 11% of salary). | None |
| **Benefits** | | | |
| To provide non-cash benefits which are competitive in the market in which the executive is employed. | Executives receive benefits which consist primarily of the provision of a company car or a car allowance, and private health care insurance, although can include any such benefits that the Committee deems appropriate. | Benefits vary by role and individual circumstances; eligibility and cost is reviewed periodically.<br><br>The Committee retains the discretion to approve a higher cost in certain circumstances (e.g. relocation) or in circumstances where factors outside the Company's control have changed materially (e.g. increases in insurance premiums). | None |
| **SAYE** | | | |
| To encourage the ownership of shares in Unite. | An HMRC approved scheme whereby employees (including Executive Directors) may save up to the maximum monthly savings limit (as determined by prevailing HMRC guidelines) over a period of three years. Options granted at up to a 20% discount. | Savings are capped at the prevailing HMRC limit at the time employees are invited to participate. | None |

| Function | Operation | Opportunity | Performance metrics |
|---|---|---|---|
| **Performance Related Annual Bonus** | | | |
| To incentivise and reward strong performance against financial and non-financial annual targets, thus delivering value to shareholders and being consistent with the delivery of the strategic plan. | Performance measures, targets and weightings are set at the start of the year.<br><br>At the end of the year, the Remuneration Committee determines the extent to which targets have been achieved.<br><br>The delivery of bonus payments is dependent on whether an individual has achieved their shareholding guideline at the end of the relevant financial year, as follows:<br>• Shareholding guideline achieved: any annual bonus earned over 100% of salary will be deferred for two years;<br>• Shareholding guideline not achieved: up to 50% of the annual bonus payable will be deferred for three years.<br><br>In both cases, deferral is satisfied by an allocation of shares in the Company, which are held in the Employee Share Ownership Trust.<br><br>Awards under the Performance Related Annual Bonus are subject to malus and clawback provisions, further details of which are included as a note to the policy table. | For Executive Directors, the maximum annual bonus opportunity is 140% of base salary.<br><br>Up to 30% of maximum will be paid for Threshold performance under each measure and up to 50% of maximum will be paid for on-target performance.<br><br>A payment equal to the value of dividends which would have accrued on vested deferred bonus shares will be made following the release of awards to participants, either in the form of cash or as additional shares. It is the Committee's current intention to make any future dividends payments from the 2020 financial year onwards in the form of shares. | Performance is assessed on an annual basis, as measured against specific objectives set at the start of each year.<br><br>Financial measures will make up at least 70% of the total annual bonus opportunity in any given year. The remainder will be split between non-financial metrics and personal/team objectives according to business priorities, with the weighting on the latter being no more than 20% of the total annual bonus opportunity.<br><br>The Committee has discretion to adjust the formulaic bonus outcomes both upwards (within the plan limits) and downwards (including down to zero) to ensure alignment of pay with performance, e.g., in the event of one of the targets under the bonus being significantly missed or unforeseen circumstances outside management control. The Committee also considers measures outside the bonus framework (e.g. H&S) to ensure there is no reward for failure.<br><br>For 2020, financial metrics, non-financial metrics and personal/team objectives will make up 70%, 20% and 10% of the total annual bonus opportunity respectively. Further details of the measures, weightings and targets applicable are provided on page 143. |
| **LTIP** | | | |
| To drive sustained long-term performance that supports the creation of shareholder value. | The LTIP comprises a Performance Share Plan (PSP) and an Approved Employee Share Option Scheme (ESOS).<br><br>The ESOS is used to deliver a proportion of the LTIP in a tax-efficient manner, and is subject to the same performance conditions as awards made under the PSP.<br><br>Award levels and performance conditions are reviewed before each award cycle to ensure they remain appropriate and no less stretching than the first cycle.<br><br>Awards under the LTIP are subject to malus and clawback provisions, further details of which are included as a note to the policy table. | The LTIP provides for an award up to a normal aggregate limit of 200% of salary for Executive Directors, with an overall limit of 300% of salary in exceptional circumstances. The current intention is to award each Executive Director awards equivalent to 200% of salary.<br><br>Awards may include a grant of HMRC approved options not exceeding £6k per annum, valued on a fair value exchange (currently 50–60% of a PSP award).<br><br>A payment equal to the value of dividends which would have accrued on vested shares will be made following the release of awards to participants, either in the form of cash or as additional shares. It is the Committee's current intention to make any future dividends payments from the 2020 financial year onwards in the form of shares. | Vesting of LTIP awards is subject to continued employment and performance against relevant metrics measured over a period of at least three years. The Committee will select performance measures ahead of each cycle to ensure that they continue to be linked to the delivery of the Company strategy.<br><br>Under each measure, threshold performance will result in up to 25% of maximum vesting for that element, rising on a straight-line to full vesting.<br><br>If no entitlement has been earned at the end of the relevant performance period, awards will lapse. A proportion of vested awards may, at the discretion of the Committee, be subject to a holding period following the end of a three-year vesting period. The Committee's current intention is that all awards will be required to be held for an additional two-year period post-vesting.<br><br>As under the Performance Related Annual Bonus, the Committee has discretion to adjust the formulaic LTIP outcomes to ensure alignment of pay with performance, i.e. to ensure the outcome is a true reflection of the performance of the Company.<br><br>Details of the measures and targets to be used for 2020 LTIP awards are included in the Annual Report on Remuneration on page 144. |

# Directors' Remuneration Policy continued

## Notes to the policy table

The Committee is satisfied that the above remuneration policy is in the best interests of shareholders and does not promote excessive risk-taking.

For the avoidance of doubt, in approving this Directors' Remuneration Policy, authority is given to the Company to honour any commitments entered into with current or former Directors (such as the vesting or exercise of past share awards).

### Performance measure selection and approach to target setting

Measures used under the Performance Related Annual Bonus and LTIP are selected annually to reflect the Group's main short- and long-term objectives and reflect both financial and non-financial priorities, as appropriate.

The Committee considers that EPS (currently used in both the short- and long-term incentive) is an objective and well-accepted measure of the Company's performance which reinforces the strategic objective of achieving profitable growth, whilst a focus on Total Accounting Return (also currently used in both the short- and long-term incentive) is consistent with one of our stated objectives and a key indicator of Company performance in the real estate sector. The use of relative TSR is strongly aligned with shareholders and ensures that executives are rewarded only if they exceed the returns which an investor could achieve elsewhere in our sector.

Targets applying to the Performance Related Annual Bonus and LTIP are reviewed annually, based on a number of internal and external reference points. Performance targets are set to be stretching but achievable, with regard to the particular strategic priorities and economic environment in a given year. Under the bonus, target performance typically requires meaningful improvement on the previous year's outturn, and, for financial measures, targets are typically in line with the upper end of market consensus.

### Remuneration policy for other employees

Unite's approach to annual salary reviews is consistent across the Group, with consideration given to the level of experience, responsibility, individual performance and salary levels in comparable companies. The Company is now a fully accredited Living Wage employer.

In terms of variable incentives, all employees are eligible to participate in an annual bonus scheme with business area-specific metrics incorporated where appropriate. Senior managers are eligible to participate in the LTIP with annual awards currently up to 75% of salary. Performance conditions are consistent for all participants, while award sizes vary by level. Specific cash incentives are also in place to motivate, reward and retain staff below Board level.

All employees are eligible to participate in the Company's SAYE scheme on the same terms.

### Shareholding guidelines

The Committee continues to recognise the importance of Executive Directors aligning their interests with shareholders through building up a significant shareholding in the Company. Shareholding guidelines are in place that require Executive Directors to acquire a holding (excluding shares that remain subject to performance conditions) equivalent to 250% of base salary for the Chief Executive and 200% of base salary for each of the other Executive Directors. Until the relevant shareholding levels are acquired, up to 50% of the annual bonus payable to the relevant Director will be subject to deferral into shares. Details of the Executive Directors' current shareholdings are provided in the Annual Report on Remuneration.

In order to provide further long-term alignment with shareholders and ensure a focus on successful succession planning, Executive Directors will normally be expected to maintain a holding of Unite shares for a period after their employment as a Director of the Group. This shareholding guideline will be equal to the lower of a Directors' actual shareholding at the time of their departure and the shareholding requirement in effect at the date of their departure, with such shares to be held for a period of at least two years from the date of ceasing to be a Director. The specific application of this shareholding guideline will be at the Committee's discretion.

### Malus and clawback

Awards under the Performance Related Annual Bonus and the LTIP are subject to malus and, from 2016, clawback provisions which can be applied to both vested and unvested awards. Malus and clawback provisions will apply for a period of at least two years post-vesting. Circumstances in which malus and clawback may be applied include a material misstatement of the Company's financial accounts, gross misconduct on the part of the award-holder, error in calculating the award vesting outcome and, from 2019 awards onwards, corporate failure as determined by the Remuneration Committee.

## Non-Executive Director remuneration

Subject to annual re-election by shareholders, Non-Executive Directors are appointed for an initial term of approximately three years. Subsequent terms of three years may be awarded. The appointment, re-appointment and the remuneration of Non-Executive Directors are matters reserved for the full Board.

The Non-Executive Directors are not eligible to participate in the Company's performance-related bonus plan, long-term incentive plans or pension arrangements.

Details of the policy on fees paid to our Non-Executive Directors are set out in the table below:

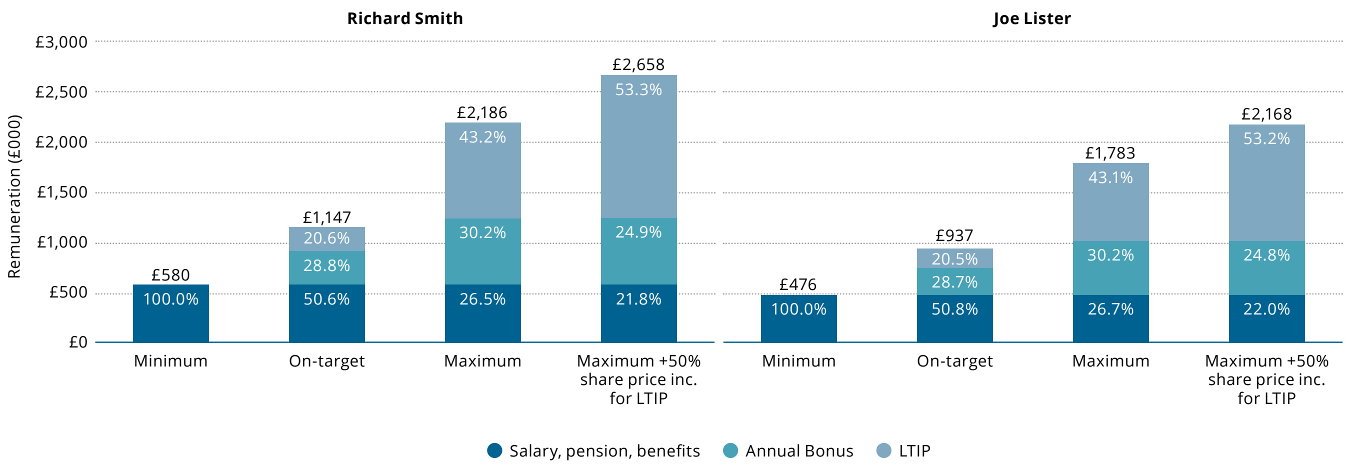
| NED | Date of service contract |
|---|---|
| P White | 10 January 2009 |
| E McMeikan | 13 November 2013 |
| R Paterson | 21 September 2017 |
| R Akers | 20 July 2018 |
| I Beato | 20 July 2018 |
| S Pearce | 14 October 2019 |
| T Jackson | 29 November 2019 |

| Function | Operation | Opportunity | Performance metrics |
|---|---|---|---|
| **Fees** | | | |
| To attract and retain Non-Executive Directors of the highest calibre with broad commercial and other experience relevant to the Company. | Fee levels are reviewed annually, with any adjustments effective 1 January in the year following review.<br><br>The fees paid to the Chairman are determined by the Committee, whilst the fees of the Non-Executive Directors are determined by the Board.<br><br>Additional fees are payable for acting as Senior Independent Director and as Chairman of any of the Board's Committees (Audit, Remuneration, Nomination and Health & Safety).<br><br>Fee levels are benchmarked against sector comparators and FTSE-listed companies of similar size and complexity. Time commitment and responsibility are taken into account when reviewing fee levels.<br><br>Expenses incurred by the Chairman and the Non-Executive Directors in the performance of their duties (including taxable travel and accommodation benefits) may be reimbursed or paid for directly by the Company, as appropriate. | Non-Executive Director fee increases are applied in line with the outcome of the annual fee review. Fees for the year commencing 1 January 2020 are set out in the Annual Report on Remuneration.<br><br>Fee levels will be next reviewed during 2020, with any increase effective 1 January 2021.<br><br>It is expected that increases to Non-Executive Director fee levels will be in line with salaried employees over the life of the policy. However, in the event that there is a material misalignment with the market or a change in the complexity, responsibility or time commitment required to fulfil a Non-Executive Director role, the Board has discretion to make an appropriate adjustment to the fee level. | None |

## Pay for performance scenarios

The charts below provide an illustration of the potential future reward opportunities for the Executive Directors, and the potential split between the different elements of remuneration under four different performance scenarios: 'Minimum', 'On-target', 'Maximum' and 'Maximum including the impact of a 50% share price appreciation on LTIP awards'.

Potential reward opportunities are based on Unite's remuneration policy, applied to the base salaries effective 1 January 2020. The annual bonus and LTIP are based on the maximum opportunities set out under the remuneration policy, being 140% of salary under the annual bonus and a 2020 LTIP grant of 200% of salary. Note that the LTIP awards granted in a year do not normally vest until the third anniversary of the date of grant, and the projected value is based on the face value at award rather than vesting (i.e. the scenarios exclude the impact of any share price movement over the period). The exception to this is the last scenario which, in line with the requirements of the UK Corporate Governance Code, illustrates the maximum outcome assuming 50% share price appreciation for the purpose of LTIP value.



## Directors’ Remuneration Policy continued

The ‘minimum’ scenario reflects base salary, pension and benefits (i.e., fixed remuneration) which are the only elements of the executive’s remuneration packages not linked to performance.

The ‘on-target’ scenario reflects fixed remuneration as above, plus bonus payout of 70% of salary and LTIP threshold vesting at 25% of maximum award.

The ‘maximum’ scenario is shown on two bases: excluding and including the impact of share price appreciation on the value of LTIP outcomes. In both cases, the scenario includes fixed remuneration and full payout of all incentives (140% of salary under the annual bonus and 200% of salary under the LTIP), with the final scenario also including the impact of a 50% increase in Unite’s share price on the value of the LTIP (in effect valuing this element of pay at 300% of salary).

### Approach to recruitment remuneration

#### External appointment to the Board

In the cases of hiring or appointing a new Executive Director from outside the Company, the Remuneration Committee may make use of all the existing components of remuneration, as follows:

| Component | Approach | Maximum annual grant value |
|---|---|---|
| **Base salary** | The base salaries of new appointees will be determined by reference to relevant market data, experience and skills of the individual, internal relativities and their current basic salary. Where new appointees have initial basic salaries set below market, any shortfall may be managed with phased increases over a period of two to three years subject to the individual’s development in the role. | |
| **Pension** | New appointees will receive company pension contributions or an equivalent cash supplement aligned to that offered to a majority of employees across the Group at the time of appointment (currently 11% of salary). | |
| **Benefits**<br>**SAYE** | New appointees will be eligible to receive benefits which may include (but are not limited to) the provision of a company car or cash alternative, private medical insurance and any necessary relocation expenses. New appointees will also be eligible to participate in all-employee share schemes. | |
| **Performance Related Annual Bonus** | The structure described in the policy table will apply to new appointees with the relevant maximum being pro-rated to reflect the proportion of employment over the year. Targets for the individual element will be tailored to each executive. | 140% of salary |
| **LTIP** | New appointees will be granted awards under the LTIP on the same terms as other executives, as described in the policy table. The normal aggregate limit of 200% of salary will apply, save in exceptional circumstances where up to 300% of salary may be awarded. | 300% of salary |

In determining appropriate remuneration, the Remuneration Committee will take into consideration all relevant factors (including quantum, nature of remuneration and the jurisdiction from which the candidate was recruited) to ensure that arrangements are in the best interests of both Unite and its shareholders. The Committee may make an award in respect of a new appointment to ‘buy out’ incentive arrangements forfeited on leaving a previous employer on a like-for-like basis, which may be awarded in addition to the remuneration structure outlined in the table above. In doing so, the Committee will consider relevant factors including time to vesting, any performance conditions attached to these awards and the likelihood of those conditions being met. Any such ‘buy-out’ awards will typically be made under the existing annual bonus and LTIP schemes, although in exceptional circumstances the Committee may exercise the discretion available under Listing Rule 9.4.2 R to make awards using a different structure. Any ‘buy-out’ awards would have a fair value no higher than the awards forfeited.

#### Internal promotion to the Board

In cases of appointing a new Executive Director by way of internal promotion, the Remuneration Committee and Board will be consistent with the policy for external appointees detailed above. Where an individual has contractual commitments made prior to their promotion to Executive Director level, the Company will continue to honour these arrangements. The Remuneration policy for other employees is set out on page 128. Incentive opportunities for below Board employees are typically no higher than Executive Directors, but measures may vary to provide better line-of-sight.

### Non-Executive Directors

In recruiting a new Non-Executive Director, the Remuneration Committee will utilise the policy as set out in the table on page 129. A base fee in line with the prevailing fee schedule would be payable for Board membership, with additional fees payable for acting as Senior Independent Director and/or as Chairman of the Board's Committees.

## Service contracts and treatment for leavers and change of control

| Executive | Date of service contract |
|---|---|
| J Lister | 28 March 2002 |
| R Smith | 28 September 2011 |

Executive Director service contracts, including arrangements for early termination, are carefully considered by the Committee. In accordance with general market practice, each of the Executive Directors has a rolling service contract requiring 12 months' notice of termination on either side. Such contracts contain no specific provision for compensation for loss of office, other than an obligation to pay for any notice period waived by the Company, where pay is defined as salary, benefits and any other statutory payments only. Where a payment is made in equal monthly instalments, the Committee will expect the Director to mitigate his/her losses by undertaking to seek and take up, as soon as reasonably practicable, any suitable/similar opportunity to earn alternative income over the period in which the instalments are to be made. The instalment payments will be reduced (including to zero) by the amount of such income that the employee earns and/or is entitled to earn over the applicable period. Executive Director service contracts are available to view at the Company's registered office.

The Remuneration Committee will exercise discretion in making appropriate payments in the context of outplacement, settling legal claims or potential legal claims by a departing Executive Director, including any other amounts reasonably due to the Executive Director, for example to meet the legal fees incurred by them in connection with the termination of employment, where the Company wishes to enter into a settlement agreement and the individual must seek independent legal advice.

When considering exit payments, the Committee reviews all potential incentive outcomes to ensure they are fair to both shareholders and participants. The table below summarises how the awards under the annual bonus and LTIP are typically treated in specific circumstances, with the final treatment remaining subject to the Committee's discretion:

| | Calculation of vesting/payment |
|---|---|
| **Annual bonus** | |
| Cash element | In the event of retirement, ill health, death, disability, redundancy or any other circumstance at the discretion of the Remuneration Committee, or in the event of a change of control, Executive Directors may receive a bonus payment for the year in which they cease employment. This payment will normally be pro-rated for time and will only be paid to the extent that financial and individual objectives set at the beginning of the plan year have been met.<br>Otherwise, Executive Directors must be employed at the date of payment to receive a bonus. |
| Deferred element | Deferred bonus shares will normally be retained and will be released in full following completion of the applicable two- or three-year deferral period. |
| **LTIP** | |
| Leavers before the end of the performance period | In the event of retirement, ill health, death, disability, redundancy or any other circumstance at the discretion of the Remuneration Committee, or in the event of a change of control, the Committee determines whether and to what extent outstanding awards vest based on the extent to which performance conditions have been achieved and the proportion of the vesting period worked. This determination will be made as soon as reasonably practical following the end of the performance period or such earlier date as the Committee may agree (within 12 months in the event of death).<br>In the event of a change of control, awards may alternatively be exchanged for new equivalent awards in the acquirer where appropriate.<br>If participants leave for any other reason before the end of the performance period, their award will normally lapse. |
| Leavers after the end of the performance period | Any awards in a holding period will normally vest following completion of the holding period. |

# Directors' Remuneration Policy continued

## External appointments

With the approval of the Board in each case, and subject to the overriding requirements of the Group, Executive Directors may accept external appointments as Non-Executive Directors of other companies and retain any fees received. Joe Lister was appointed as a Non-Executive Director on the Board of Helical Plc effective 1 September 2018 and received a fee of £52,201 in respect of his service for 2019.

## Consideration of conditions elsewhere in the Company

When making decisions on Executive Director remuneration, the Committee considers pay and conditions across Unite. Prior to the annual salary review, the Group People Director provides the Committee with a summary of the proposed level of increase for overall employee pay. Currently the Remuneration Committee does not formally consult with employees on the executive remuneration policy and framework.

## Consideration of shareholder views

During 2018, the Remuneration Committee consulted with investors representing around two-thirds of Unite's issued share capital and with proxy advisors (Glass Lewis, the Investment Association and ISS) to seek their views on the proposed changes to the Remuneration Policy, as well as remuneration at Unite more broadly. The Committee was grateful for investors taking the time to participate in the consultation and we welcomed the positive and constructive feedback received. The Committee used the direct feedback, along with updates to investor body principles published around the time of the review, to refine and further develop the final proposals. The Committee will continue to monitor trends and developments in corporate governance and market practice to ensure the structure of the executive remuneration remains appropriate.

## Annual Report on Remuneration

The following section provides details of how Unite's remuneration policy was implemented during the financial year ended 31 December 2019 and how it will be implemented in 2020.

### Remuneration Committee membership in 2019

The primary role of the Committee is to:

- Review, recommend and monitor the level and structure of remuneration for the Executive Directors and other senior executives
- Approve the remuneration packages for the Executive Directors and ensure that pay outcomes reflect the performance of the Company
- Determine the balance between base pay and performance-related elements of the package so as to align Directors' interests to those of shareholders.

The Committee's terms of reference are set out on the Company's website. As of 31 December 2019, the Remuneration Committee comprised five independent Non-Executive Directors:

- Elizabeth McMeikan (Committee Chair)
- Phil White
- Ross Paterson
- Richard Akers
- Dame Shirley Pearce

Andrew Jones and Sir Tim Wilson served on the Remuneration Committee until their stepping down from the Board on 9 May 2019 and 31 December 2019 respectively. Certain executives, including Richard Smith (Chief Executive) and Ruth George (Group People Director) are invited to attend meetings of the Committee, and the Company Secretary, Christopher Szpojnarowicz, acts as secretary to the Committee. Thomas Jackson is also invited to attend meetings. No individuals are involved in decisions relating to their own remuneration. The Remuneration Committee met six times during the year and details of members' attendance at meetings are provided in the Corporate Governance section on page 102.

Key activities of the Remuneration Committee in 2019 included:

- Reviewed and approved the Executive Directors' performance against 2018 annual objectives and 2016 LTIP targets; determined bonuses payable (including balance between cash and shares), and approved LTIP vesting;
- Considered the Liberty Living acquisition and its implications for executive remuneration at Unite;
- Approved adjustments to relevant annual bonus and LTIP targets and/or reported outcomes in light of IFRS 16 and the Liberty Living acquisition;
- Considered remuneration market trends and corporate governance developments;
- Reviewed and approved salary increases for the Executive Directors and senior management for 2020;
- Determined the Executive Directors' bonus and LTIP performance targets for 2020 in line with the strategic plan;
- Reviewed workforce pension arrangements, confirmed approach for new Executive Director appointees and approved phase-down of pension contributions for incumbent Executive Directors;
- Conducted shareholder consultation on the proposed exceptional 2020 LTIP grant;
- Reviewed and approved the Chairman's fee;
- Reviewed the CEO pay ratio and gender pay data and disclosures;
- Prepared the Directors Remuneration Report.

# Annual Report on Remuneration continued

## Advisors

Mercer | Kepler ('Mercer') was appointed as the Committee's independent advisor following a competitive tender process in 2014, and was retained during the year. The Committee undertakes due diligence periodically to ensure that Mercer remains independent and that the advice provided is impartial and objective. Mercer is a founding member and signatory of the Code of Conduct for Remuneration Consultants, details of which can be found at www.remunerationconsultantsgroup.com. In 2019 Mercer provided independent advice including support on the review of executive remuneration for 2020, the review of pension contribution rates, shareholder consultation support, updates on the external remuneration environment and performance testing for long-term incentive plans. Mercer reports directly to the Chair of the Remuneration Committee and does not advise the Company on any other issues. Their total fees for the provision of remuneration services to the Committee in 2019 were £60,830 (2018: £67,900) on the basis of time and materials.

## Summary of shareholder voting at AGMs

The following table shows the results of the advisory vote on the 2018 Annual Report on Remuneration and the binding vote on the 2019 Directors' Remuneration Policy at the 2019 AGM:

| | **2018 Annual Report on Remuneration** | | **Directors' Remuneration Policy** | |
|---|---|---|---|---|
| For (including discretionary) | 213,625,277 | 96.97% | 213,670,741 | 96.85% |
| Against | 6,682,764 | 3.03% | 6,938,947 | 3.15% |
| Total votes cast (excluding withheld votes) | **220,308,041** | | **220,609,688** | |
| Votes withheld | 301,647 | | 0 | |
| Total votes cast (including withheld votes) | **220,609,688** | | **220,609,688** | |

## Single total figure of remuneration for Executive Directors (audited)

The table below sets out a single figure for the total remuneration received for 2018 and 2019 by each Executive Director who served in the year ended 31 December 2019:

| £ | | Salary | Taxable benefits (Note 1) | Pension (Note 2) | Annual Bonus (Note 3) | LTIP (Note 4) | Other (Note 5) | Total Single Figure | Total Fixed | Total Variable |
|---|---|---|---|---|---|---|---|---|---|---|
| R Smith | **2019** | **456,692** | **16,195** | **80,957** | **519,361** | **1,653,245** | **4,499** | **2,730,949** | **553,844** | **2,177,104** |
| | 2018 | 445,910 | 15,920 | 72,081 | 478,822 | 1,118,247 | 0 | 2,130,979 | 533,910 | 1,597,069 |
| J Lister | **2019** | **371,726** | **16,928** | **66,084** | **422,736** | **1,346,291** | **0** | **2,223,765** | **454,738** | **1,769,027** |
| | 2018 | 362,950 | 16,424 | 64,523 | 389,739 | 910,494 | 2,250 | 1,746,380 | 443,897 | 1,302,482 |

Note 1 Taxable benefits for 2019 consist primarily of company car or car allowance and private health care insurance. The figures above include car benefits of £15,000 for Messrs. Smith and Lister.

Note 2 Pension figures include contributions to the UNITE Group Personal Pension Scheme and cash allowances, where applicable.

Note 3 Payment for performance during the 2019 year. Having already achieved their respective share ownership guidelines, each Executive Director will receive amounts up to 100% of base salary in cash. The remainder – totalling £60,805 and £49,492 to Messrs. Smith and Lister respectively – will be deferred in Unite shares for a period of two years.

Note 4 2018 figures: The 2016 awards are valued based on the market price on the date of vesting (23 June 2019) of 967p. These amounts have been revised from last year's report to reflect the actual share price on the date of vesting.

2019 figures: For the 2017 awards, the market price on the date of vesting is currently unknown and so the value shown is estimated using the average market value over the last quarter of 2019 of 1,169.9p. See following sections for further details. The value of the vested 2017 awards shown reflects the impact of a c.82% increase in the vesting share price compared to the share price at grant. Overall, the impact of the share price increase on the awards represents c.43% of the LTIP value, equivalent to c.£704k for Richard Smith and c.£574k for Joe Lister. For both 2018 and 2019, LTIP figures include the value of dividends for vested awards; paid in cash in respect of the 2016 awards and to be paid as additional shares in respect of the 2017 awards. Awards in the form of HMRC-approved options are valued based on the embedded gain at vesting (i.e. subtracting the applicable exercise price) and attract no dividends.

Note 5 'Other' includes the embedded value of SAYE options at grant.

## Single total figure of remuneration for Non-Executive Directors (audited)

The table below sets out a single figure for the total remuneration received for 2018 and 2019 by each Non-Executive Director who served in the year ended 31 December 2019:

| £ (Note 1) | | Base fee | Committee Chair/SID fees | Taxable benefits (Note 2) | Total Single Figure |
|---|---|---|---|---|---|
| P White | **2019** | **193,420** | **–** | **1,630** | **195,050** |
| | 2018 | 188,700 | – | 1,443 | 190,143 |
| R Wilson(i) | **2019** | **48,000** | **7,075** | **551** | **55,626** |
| | 2018 | 46,820 | 6,900 | 1,229 | 54,949 |
| A Jones(ii) | **2019** | **17,161** | **–** | **454** | **17,615** |
| | 2018 | 46,820 | – | 1,429 | 48,249 |
| E McMeikan(iii) | **2019** | **48,000** | **15,650** | **334** | **63,984** |
| | 2018 | 46,820 | 14,801 | 1,514 | 63,135 |
| R Paterson(iv) | **2019** | **48,000** | **10,000** | **–** | **58,000** |
| | 2018 | 46,820 | 8,938 | 492 | 56,250 |
| R Akers(v) | **2019** | **48,000** | **–** | **499** | **48,499** |
| | 2018 | 15,607 | – | 609 | 16,216 |
| I Beato(vi) | **2019** | **48,000** | **–** | **255** | **48,255** |
| | 2018 | 3,902 | – | 357 | 4,259 |
| S Pearce(vii) | **2019** | **8,000** | **–** | **–** | **8,000** |
| | 2018 | – | – | – | – |
| T Jackson(viii) | **2019** | **–** | **–** | **–** | **–** |
| | 2018 | – | – | – | – |

Note 1 Changes in Non-Executive Directors and responsibilities as follows:

- i Sir Tim Wilson stepped down from the Board on 31 December 2019.
- ii Andrew Jones stepped down from the Board on 9 May 2019.
- iii Elizabeth McMeikan was appointed Senior Independent Director effective 1 February 2018.
- iv Ross Paterson was appointed Chairman of the Audit Committee effective 1 February 2018.
- v Richard Akers joined the Board on 1 September 2018.
- vi Ilaria del Beato joined the Board on 1 December 2018.
- vii Dame Shirley Pearce joined the Board on 1 November 2019.
- viii Thomas Jackson joined the Board on completion of the acquisition of Liberty Living Group plc on 29 November 2019. Reflecting the Relationship Agreement with CPPIB Holdco, Thomas will not receive any fees in respect of his Non-Executive Director position with Unite.

Note 2 Taxable benefits relate primarily to travel expenses and accommodation.

## Annual Report on Remuneration continued

### Incentive outcomes for the year ended 31 December 2019 (audited)

#### Annual Bonus in respect of 2019 performance

The maximum bonus opportunity for each Executive Director in 2019 was 140% of base salary, with threshold and target performance paying 30% and 50% of maximum respectively under each performance measure.

Reflecting the simplification to the Remuneration Policy approved by shareholders, the 2019 annual bonus was based on an additive combination of financial (weighted 70%), non-financial (20%) and personal/team objectives (10%). Further details, including the targets set and performance against each of the metrics, are provided in the tables below:

| | Measure | Weight | Threshold 30% of maximum | On-Target 50% of maximum | Stretch 100% of maximum | Actual | Vest % of maximum |
|---|---|---|---|---|---|---|---|
| Financial | Adjusted EPS | 25.0% | 37.4p | 39.0p | 42.0p | 41.3p | 88.3% |
| | TAR per share | 25.0% | 80.6p | 89.5p | 103.0p | 98.5p | 83.3% |
| | Net debt to EBITDA | 20.0% | 7.4x | 7.2x | 6.9x | 5.9x | 100.0% |
| Non-financial | Customer satisfaction | 10.0% | 84 | 85 | 87 | 85 | 50.0% |
| | University Reputation | 10.0% | 82 | 83 | 84 | 82 | 30.0% |
| Personal/team | Personal/team objectives | 10.0% | | See table below | | Full achievement | 100.0% |

Note: Actual financial outcomes were adjusted from the reported figures; see discussion below.

#### Personal and team objectives

| Focus area | Specific objective | Assessment of performance |
|---|---|---|
| **Business** | Continued development of Group Health & Safety function and capability across the business | The Committee concluded that there has been significant progress in further improving this key area. Particular achievements included an evincible improvement in the ownership of health and safety right across the business alongside a significant increase in capability within the Group H&S leadership team. The Committee were delighted that the business achieved of a Five-star audit rating from the British Safety Council (BSC), the highest rating. Additionally, the continued focus on fire safety was a further achievement. Both these areas were set as key objectives for Executive Directors. |
| | Delivery of Group KPIs | The Committee noted that there had been excellent progress and delivery across all key metrics, achieved alongside the acquisition of Liberty Living. In addition to those financial and non-financial KPIs explicitly captured and rewarded under the annual bonus, the Committee noted in particular:<br>• a further 14% increase in full-year dividend to 33.2p;<br>• continued progress with University partnerships; nomination agreements across the enlarged Group covering 41,500 beds;<br>• record employee engagement scores;<br>• record customer satisfaction scores, across both student satisfaction and University satisfaction both being measured and assessed externally;<br>• continued financial prudence with credit agencies affirming Unite's credit rating and changing their outlook from stable to positive. |
| **Team** | Development of talent-mapping approach and detailed succession planning | The Committee considered the detailed work undertaken in assessing current and future business talent needs and the various senior appointments made during the year as a result of this. Detailed succession plans for all key roles were developed and agreed by the Board, in line with the Committee's expectations. |
| | Demonstrate value generated by brand investment | The Committee noted Unite's strong brand perception in both the Higher Education and investment communities and the role this had continued to play in the successful delivery of strategy. The Committee was also pleased with the increased investments in research, life skills and mental health, and took the invitation to participate in the Augar review of student accommodation as an example of positive political exposure. |
| **Personal** | The Committee concluded that Richard had continued to perform at an excellent level during 2019. His strong leadership throughout the year ensured that the challenging Liberty Living acquisition was delivered alongside excellent financial and non-financial results across the core business. Richard delivered across all of his personal targets, with a particular highlight being his excellent work on talent development and succession planning. | |
| | The Committee considers that Joe too had an excellent 2019. Joe's primary focus the year became the acquisition of Liberty Living, and the Committee strongly believes that his corporate finance experience, as well as interest and drive, played a key part in the eventual success of the transaction. Joe has continued to demonstrate strong leadership and has set the Finance function at Unite up for further success. | |

| | Overall bonus outcome | | |
|---|---|---|---|
| **Executive** | **% of maximum** | **% of salary** | **£** |
| Richard Smith | **80.9%** | **113.3%** | **£519,361** |
| Joe Lister | **80.9%** | **113.3%** | **£422,736** |

Targets applying to the 2019 annual bonus were set at the start of the year and took into account both internal and external expectations at the time. Targets did not, therefore, take into account the acquisition of Liberty Living, completion of which occurred in November 2019.

In order to ensure the outturn for incentive purposes could be compared with the original targets on a like-for-like basis and reflecting how late in the performance period the acquisition actually completed following shareholder approval and CMA clearance, the Committee considered that the fairest approach for annual bonus participants was to ring-fence the Liberty Living acquisition and to assess financial (EPS, TAR and net debt to EBITDA) performance in respect of the legacy Unite business for 2019 through adjustments to the year's reported outturn under these elements of the bonus.

Adjustments were both upwards and downwards, and included adjusting for the impact of the additional equity and shares outstanding from the July equity raise and November deal completion, removing the additional earnings from Liberty Living during the year, reducing reported net debt to account for the additional debt taken on as part of the deal, and adjusting for changes to the budgeted acquisition and disposal plan necessitated by the Liberty Living acquisition. In the same way, the Committee resolved to neutralise the positive impact arising from the IFRS 16 accounting standard change which was also not accounted for in the original targets set. These adjustments have been applied, where relevant, in bonus schemes across the organisation, ensuring continued internal alignment and fairness.

| Adjustments to reported 2019 financial outturn | Adjusted EPS | TAR per share | Net debt to EBITDA |
|---|---|---|---|
| **2019 Reported** | **39.1** | **92.8** | **11.7** |
| Annualising Liberty EBITDA to be comparable with Group YE debt | | | (3.5) |
| Adjusting for equity raise, shares outstanding for 'per share' measures | +2.7 | +4.9 | |
| Removing additional earnings and debt taken on as part of the deal | (1.8) | | (3.1) |
| Adjusting for changes to the budgeted acquisition and disposal plan | +2.2 | +2.1 | +0.8 |
| IFRS 16 accounting standard change | (0.9) | (1.3) | |
| **2019 adjusted for incentive purposes** | **41.3** | **98.5** | **5.9** |

No adjustments were made in respect of the non-financial bonus metrics, assessment of which takes place on an autumn to autumn cycle. With regards to the personal/team element, the Committee retained the original objectives set at the start of the year and reflected performance against these in the context of the Liberty Living acquisition.

The Committee is satisfied that the overall 2019 bonus outcome after these adjustments of 80.9% of maximum is appropriate. Continued strong core business performance has been delivered alongside the significant acquisition of Liberty Living which is an exciting and transformative deal for the Group. In a historical context, the overall outcome of c.81% of maximum is around 6% higher than 2018 which the Committee believes broadly reflects the relative achievements in each of the last two years and the experience of shareholders over the period.

Having already achieved their respective share ownership guidelines, each Executive Director will receive amounts up to 100% of base salary in cash. The remainder – totalling £60,805 and £49,492 to Messrs. Smith and Lister respectively – will be deferred in Unite shares for a period of two years.

## Annual Report on Remuneration continued

### 2017 LTIP vesting (vested on performance to 31 December 2019)

Awards in 2017 were made under the LTIP, consisting of the Unite Group Performance Share Plan and the Unite Group Approved Employee Share Option Scheme. Vesting of the awards was dependent on three equally-weighted measures over a three-year performance period; TAR per share, EPS and TSR outperformance of the FTSE 350 Real Estate (Super Sector) Index. There was no retest provision. Further details, including vesting schedules and performance against each of the metrics are provided in the table below:

| Measure | Weight | Targets | Outcome | Vest % |
|---|---|---|---|---|
| 2019 Adjusted EPS | 1/3 | 0% vesting below 36 pence<br>25% vesting for 36 pence<br>100% vesting for 42 pence or more;<br>Straight-line vesting between these points | 41.3 pence | 91.3% |
| TAR per share (2017 – 2019) | 1/3 | 0% vesting below 22.5% (7% p.a.)<br>25% vesting for 22.5% (7% p.a.)<br>100% vesting for 44.3% (13% p.a.) or more;<br>Straight-line vesting between these points | 44.4% (13.0% p.a.) | 100.0% |
| TSR outperformance of the FTSE 350 Real Estate (Super Sector) Index | 1/3 | 0% vesting if Group underperforms the Index<br>25% vesting for matching the Index<br>100% vesting for outperforming Index by 9% p.a.;<br>Straight-line vesting between these points | Index +20.3% p.a. (122% return) | 100.0% |
| | | **Total LTIP vesting (sum product of weighting and vest %)** | | **97.1%** |

Note: EPS and TAR outcomes were adjusted from the reported figures; see discussion below.

The performance period for the each of the elements ended on 31 December 2019. The awards will vest on the third anniversary of the date of grant and will be subject to an additional two-year holding period.

Consistent with the approach taken for the 2019 annual bonus and for the same reasons, the Committee resolved to ring-fence the Liberty Living acquisition and to assess financial performance in respect of only the legacy Unite business for 2019 – see page 137. In this context, vesting is 91.3% of maximum under the EPS element, and 100.0% of maximum under the TAR per share element. Total vesting is therefore 97.1% of maximum. As with the annual bonus, the Committee is satisfied that the overall vesting outcome after these adjustments is appropriate in the context of the Group's underlying performance – both financial and operational – as well as the shareholder experience over the last three years.

| Executive | Interests held (Note 1) | Vesting % | Interests vesting | Date vesting | Assumed market price | Estimated value... (Note 2) | ...of which, value due to share price growth |
|---|---|---|---|---|---|---|---|
| Richard Smith | 137,454 | 97.1% | 133,431 | 10 April 2020 | 1,169.9p | £1,653,245 | £704,432 (43% of total) |
| Joe Lister | 112,033 | 97.1% | 108,754 | 10 April 2020 | 1,169.9p | £1,346,291 | £574,153 (43% of total) |

Note 1 In each case, interests held includes 934 HMRC-approved options under the ESOS.

Note 2 Estimated value of HMRC-approved options is based on embedded gain (i.e. after subtracting 642.0p exercise price). Value includes the accumulated dividends on vested shares.

In line with regulations, the value disclosed above and in the single total figure of remuneration table on page 134 captures the full number of interests vesting (i.e. excluding the two-year holding period). As the market price on the date of vesting is unknown at the time of reporting, the value is estimated using the average market value over the last quarter of 2019 of 1,169.9p. The actual value at vesting will be trued-up in the 2020 Annual Report on Remuneration. The estimated values include the impact of a c.82% increase in the assumed market price compared to the share price at grant (642.0p). Executives also became entitled to additional shares representing the dividends payable on vested LTIP shares over the three-year performance period. The value of these additional shares is included in the row entitled 'LTIP' in the single total figure of remuneration table on page 134, and equates to £98,002 and £79,754 for Messrs. Smith and Lister respectively.

## Percentage change in CEO remuneration

The table below shows the percentage change in CEO remuneration from the prior year compared to the average percentage change in remuneration for all employees.

The CEO's remuneration includes base salary, taxable benefit and annual bonus. The pay for all other employees is calculated using the increase in the earnings of full-time employees for tax years 2018 and 2019. The analysis excludes part-time employees and is based on a consistent set of employees, i.e. the same individuals appear in the 2018 and 2019 populations.

| | CEO | | | All employees |
|---|---|---|---|---|
| | 2019 £ | 2018 £ | % change 2018–19 | % change 2018–19 |
| Base salary | **456,692** | 445,910 | 2.4% | 2.5% |
| Taxable benefits | **16,195** | 15,920 | 1.7% | 5.8% |
| Annual bonus | **519,361** | 478,822 | 8.5% | 45.2% |

## Relative importance of spend on pay

The table below shows shareholder distributions (i.e. dividends and share buybacks) and total employee pay expenditure for the financial years ended 31 December 2018 and 31 December 2019, along with the percentage change in both.

| | 2019 £m | 2018 £m | % change 2018–19 |
|---|---|---|---|
| Total employee pay expenditure | **51.6** | 44.1 | 17.0% |
| Distributions to shareholders | **70.7** | 62.5 | 13.1% |

The Directors are proposing a final dividend in respect of the financial year ended 31 December 2019 of 22.95 pence per ordinary share. Employee remuneration excludes social security costs.

## CEO pay ratio

UK legislation requires companies with 250 employees or more to publish information on the pay ratio of the Group CEO to UK employees. In line with this the table below shows the ratio of CEO total pay to that of three employees indicative of lower quartile (P25), median (P50) and upper quartile (P75) pay received during the financial year ended 31 December 2019 and includes basic salary, pension, and the value received from incentive plans. On average Unite employed 1,450 UK employees during the financial year ended 31 December 2019.

| Financial year | Calculation methodology | Lower quartile (P25) | Median (P50) | Upper quartile (P75) |
|---|---|---|---|---|
| **2019** | **B (see below)** | **132:1** | **112:1** | **82:1** |

Given the significant undertaking required to calculate the single figure of remuneration for all UK employees, the Committee opted to use data already available from the gender pay reporting as the basis for identifying employees at P25, P50 and P75 ('Option B'). We believe this provides a reasonable estimate for employees pay at these levels within the organisation. Further details on the specific steps used in calculating the above ratios are as follows:

- We used the most recent gender pay gap data from 5 April 2019 to rank the hourly rates of all UK employees. From this initial ranking we identified those individuals positioned at P25, P50 and P75, as well as the immediate employees either side of P25, P50 and P75.
- Employees selected as P25, P50 and P75 were checked to confirm that they were employed for the whole of the 2019 calendar year. In two cases (P25 and P50) employees were new starters in April 2019 and therefore alternates were selected to ensure reward amounts aligned with the financial year as far as possible. Selected alternates had the same GPG hourly rate, job title, and approximate weekly hours as the original choices and were chosen on a next-in-list basis.
- Total FTE remuneration for each of these individuals was then calculated on the same basis as used in the single figure table for our CEO. All figures are total amounts paid to full-time employees covering the whole 2019 calendar year. Overtime pay, where received during the year, has been excluded so that the figures are comparable with the Chief Executive.
- In reviewing the employee pay data, the Committee is comfortable that the P25, P50 and P75 individuals identified appropriately reflect the employee pay profile at those quartiles, and that the overall picture presented by the ratios is consistent with our pay, reward and progression policies.

## Annual Report on Remuneration continued

A summary of the salaries and total single figures of remuneration for the relevant individuals is included in the table below:

| | Chief Executive | Lower quartile (P25) | Median (P50) | Upper quartile (P75) |
|---|---|---|---|---|
| Salary | £456,692 | £18,135 | £21,689 | £29,592 |
| Single figure of remuneration | £2,730,949 | £20,620 | £24,414 | £33,459 |

With this being the first year under the revised reporting requirements, there is limited data against which to compare the pay ratios above. The Committee will consider the pay ratios in the context of the ratios reported in future years as well as other important metrics such as the gender pay gap and employee satisfaction levels.

Along with the above ratios comparing total remuneration, the Committee will also keep under review the ratios for salary and salary plus annual bonus, and additionally track how these change over time. With a significant proportion of the remuneration of our CEO appropriately linked to the Company's performance and share price movements over the longer-term, it is expected that the headline ratios will depend a lot on long-term incentive outcomes, and accordingly may fluctuate from year-to-year. Participation in the Group's long-term incentives is currently limited to c.50 senior leaders, with none of the individuals identified as P25, P50 and P75 in this Group. On the other hand, the significant majority of our employees are eligible to participate in annual bonus arrangements as shown in the table below – each of the individuals P25, P50 and P75 received a bonus payment in 2019 – and so the Committee considers this ratio, as well as the ratio comparing just salary to provide helpful additional context.

| Pay ratios for different levels of remuneration | Lower quartile (P25) | Median (P50) | Upper quartile (P75) |
|---|---|---|---|
| Salary | 25:1 | 21:1 | 15:1 |
| Salary plus annual bonus | 49:1 | 41:1 | 30:1 |
| Single figure of remuneration | 132:1 | 112:1 | 82:1 |

The Committee is confident that Unite remains focused on recognising the individual needs of colleagues in the same manner as it does for its customers. In this context, we are proud of the reward and benefits packages that offered to employees, with highlights including:

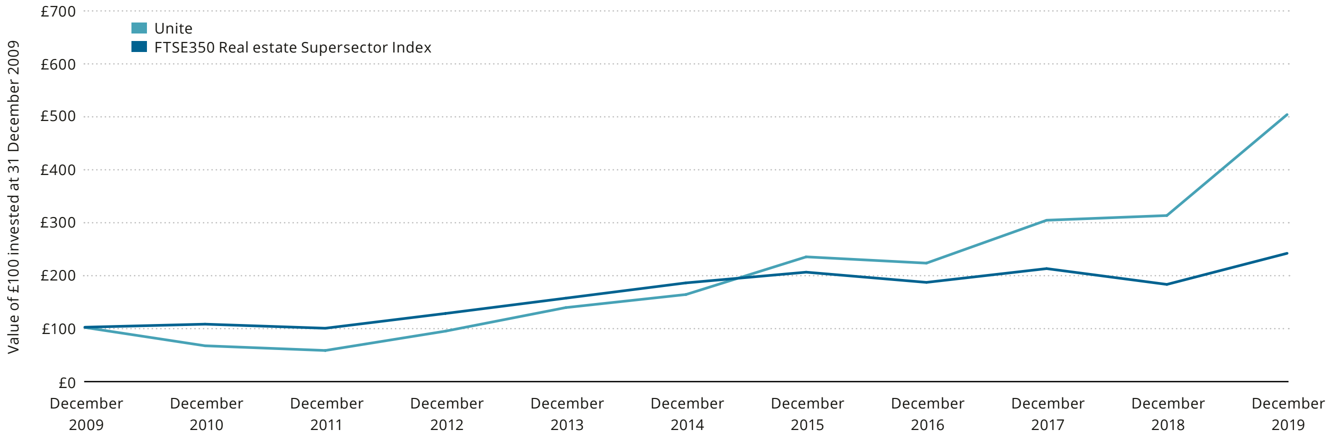
- In the UK, Unite has been an accredited Living Wage employer since March 2015;
- Unite conducts regular market reviews of salary ranges in order to maintain competitiveness to market rates, and moves everyone who is below a band to at least the minimum of that range each year;
- All employees are eligible to participate in the annual bonus scheme, with opportunity varying by level, starting at 10% of salary;
- The competitive pension scheme now provides a top rate employer contribution of 11% of salary to all employees (as detailed earlier in this report); and
- All employees are able to participate in a SAYE offering – a tax-efficient share plan that allow employees to share in the success of the Group.

## Review of past performance

The following graph charts the TSR of the Company and the FTSE 350 Real Estate 'Super Sector' Index over the ten-year period from 1 January 2010 to 31 December 2019. Whilst there is no comparator index or group of companies that truly reflects the activities of the Group, the FTSE 350 Real Estate 'Super Sector' Index (the constituent members of which are all property holding and/or development companies or real estate investment trusts within the UK), was chosen as it reflects trends within the UK property market generally and tends to be the index against which analysts judge the performance of the Company. The table below details the Chief Executive's single figure remuneration over the same period.

### Historical TSR performance

Growth in the value of a hypothetical £100 holding over the 10 years to 31 December 2019




| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|---|---|---|---|
| | M Allan | M Allan | M Allan | M Allan | M Allan | M Allan | M Allan<br>R Smith | R Smith | R Smith | R Smith |
| CEO single figure of remuneration (£000) | £687 | £1,476 | £994 | £1,944 | £2,987 | £2,382 | £223<br>£1,239 | £1,456 | £2,131 | **£2,731** |
| Annual bonus award rates against maximum opportunity | 43.4% | 75.8% | 63.4% | 84.0% | 89.4% | 88.2% | n/a<br>43.4% | 63.6% | 74.3% | **80.9%** |
| LTIP award rates against maximum opportunity | 0.0% | 82.4% | 26.3% | 83.1% | 95.2% | 100.0% | n/a<br>100.0% | 96.1% | 81.9% | **97.1%** |

## Scheme interests awarded in 2019 (audited)

### LTIP

In July 2019, Executive Directors were granted awards under the LTIP with a face value of 200% of their respective salaries. The three-year performance period over which performance will be measured began on 1 January 2019 and will end on 31 December 2021. Any awards vesting for performance will be subject to an additional two-year holding period.

| Executive | Date of grant | Shares over which awards granted (Note 1) | Market price at date of award | Face value |
|---|---|---|---|---|
| Richard Smith | 24 July 2019 | 85,190 | 1,076.0p | £916,644 |
| Joe Lister | 24 July 2019 | 69,333 | 1,076.0p | £746,023 |

Note 1 Combination of HMRC-approved options under the ESOS (557) and nil cost options under the PSP calculated using a share price of 1,076.0p, being the closing mid-market price on the day the awards were calculated.

## Annual Report on Remuneration continued

Vesting of 2019 awards is dependent on three equally-weighted measures over a three-year performance period: TAR per share, EPS and TSR measured against the FTSE 350 Real Estate 'Super Sector' Index. In a slight change to awards made in recent years, and as disclosed in last year's report, the Committee changed the assessment of relative TSR to be based on a simple ranking against the constituents of the Index (cf. outperformance targets previously) and the assessment of TAR per share to be on a relative basis against the same constituents (cf. absolute targets previously). There is no retest provision. The Committee considers that the targets applying under each of the performance measures are no less stretching than in previous years. Details of the vesting schedules are provided below:

| Measure | Weight | Targets |
|---|---|---|
| 2021 Adjusted EPS | 1/3 | 0% vesting below 44.2 pence;<br>25% vesting for 44.2 pence;<br>100% vesting for 51.9 pence or more;<br>Straight-line vesting between these points. |
| TAR per share ranking vs. the FTSE 350 Real Estate 'Super Sector' Index (2019–2021) | 1/3 | 0% vesting for performance below median;<br>25% vesting for performance in line with median;<br>100% vesting for performance at upper quartile or above;<br>Straight-line vesting between these points. |
| TSR ranking vs. the FTSE 350 Real Estate 'Super Sector' Index (2019–2021) | 1/3 | 0% vesting for performance below median;<br>25% vesting for performance in line with median;<br>100% vesting for performance at upper quartile or above;<br>Straight-line vesting between these points. |

Following the completion of the acquisition of Liberty Living, and as noted on page 137, the Committee resolved to increase the EPS target range to reflect the acquisition plan around earnings accretion, as well as the positive benefit of the IFRS 16 accounting standard change. The Committee is satisfied that the revised EPS target range is of broadly equivalent difficulty to the targets originally set and remains challenging yet achievable for LTIP participants:

| | | |
|---|---|---|
| 0% vesting below 44.2 pence;<br>25% vesting for 44.2 pence;<br>100% vesting for 51.9 pence or more;<br>Straight-line vesting between these points | → Targets increased to | 0% vesting below 46.9 pence;<br>25% vesting for 46.9 pence;<br>100% vesting for 56.2 pence or more;<br>Straight-line vesting between these points |

A similar adjustment was also made in respect of the outstanding 2018 LTIP, with the original EPS targets being increased from 40.0 pence to 42.1 pence at threshold (25% vesting) and from 46.0 pence to 49.2 pence at stretch (100% vesting).

### SAYE

During 2019 Richard Smith entered into a new savings contract under the SAYE plan. Details of all outstanding awards under this plan are included in the table on page 147.

### Exit payments made in the year (audited)

There have been no exit payments during the year ended 31 December 2019.

### Payments to past directors (audited)

There have been no payments (2018: £nil) in excess of the de minimis threshold to former Directors during the year ended 31 December 2019 in respect of their former roles as Directors. The Company has set a de minimis threshold of £5,000 under which it would not report such payments.

## Implementation of Executive Director remuneration policy for 2020

### Base salary

The Committee has approved the following salary increases with effect from 1 January 2020:

| Executive | Base salary from 1 March 2019 | Base salary from 1 January 2020 | Percentage increase |
|---|---|---|---|
| Richard Smith | £458,556 | £472,313 | 3.0% |
| Joe Lister | £373,244 | £384,441 | 3.0% |

Proposed salary increases are consistent with the average increase applied across the Group (c. 3.0%).

### Pension

Executive Directors will continue to receive a pension contribution or an equivalent cash allowance. Employer pension contributions for 2020 will continue to be capped at £91,710 per annum for Richard Smith and £74,650 per annum for Joe Lister. Further to page 121, pension levels will start to be reduced with effect from 1 January 2021 to achieve alignment with the rate available to the majority of employees by 1 January 2023.

### Performance Related Annual Bonus

For 2020, the maximum bonus opportunity for each executive will be 140% of salary, with threshold and target performance paying 30% and 50% of maximum respectively under each performance measure.

The financial element of the bonus will continue to be based on a combination of EPS, Total Accounting Return and net debt to EBITDA ratio, with a total weighting of 70% of total bonus. The non-financial measures will be split equally between customer satisfaction, University reputation and personal/team objectives. Proposed target levels have been set to be challenging relative to business plan, although specific targets are deemed to be commercially sensitive at this time. It is the Committee's current intention to disclose these targets, and the key achievements by each Executive Director, retrospectively in the 2020 Directors' Remuneration Report.

| | Corporate measures | Wgt. |
|---|---|---|
| Financial (70%) | Adjusted EPS | 25.0% |
| | TAR per share | 25.0% |
| | Net debt to EBITDA ratio | 20.0% |
| Non-financial (30%) | Customer satisfaction | 10.0% |
| | University Reputation | 10.0% |
| | Personal/team objectives | 10.0% |

If a participant has met their shareholding guidelines at the time the 2020 bonus is due to be paid, any amounts due in excess of 100% of salary will be deferred in Unite shares for a period of two years, with the remainder paid in cash. If a participant has not met their shareholding guidelines, up to 50% of the amount payable will continue to be satisfied by an allocation of shares in the Company deferred for three years. Clawback and malus provisions apply to all awards.

# Annual Report on Remuneration continued

## LTIP

For 2020, the LTIP will continue to operate on the same basis as in the 2019 financial year. The Committee, having considered the performance of the Company and other relevant factors, intends that Executive Directors will each receive an award equivalent to a maximum of 200% of salary delivered through a combination of the PSP and ESOS, with the final level of vesting dependent on the achievement of three-year performance targets relating to EPS, TAR and TSR, as follows:

| Measure | Weight | Targets |
|---|---|---|
| 2022 Adjusted EPS | 1/3 | 0% vesting below 51.1 pence;<br>25% vesting for 51.1 pence;<br>100% vesting for 58.7 pence or more;<br>Straight-line vesting between these points. |
| TAR per share ranking vs. the FTSE 350 Real Estate Supersector Index (2020–2022) | 1/3 | 0% vesting for performance below median;<br>25% vesting for performance in line with median;<br>100% vesting for performance at upper quartile or above;<br>Straight-line vesting between these points. |
| TSR ranking vs. the FTSE 350 Real Estate Supersector Index (2020–2022) | 1/3 | 0% vesting for performance below median;<br>25% vesting for performance in line with median;<br>100% vesting for performance at upper quartile or above;<br>Straight-line vesting between these points. |

EPS targets have been set with reference to internal and external reference points, including our strategic plan and broker consensus estimates. This year's EPS targets have been reduced in per annum growth terms as compared to the targets applying over the last 3 cycles – from 9% to 7% per annum at threshold and from 15% to 12% per annum at stretch. This reduction reflects lower expectations for EPS growth across both the real estate sector and broader FTSE350 in light of the lower interest rate environment, increased uncertainty and a more challenging economic outlook overall. The reduction to targets additionally acknowledges a relative downweighting of development activities within the Group's balance sheet which has been a key driver of historical above-market EPS growth. The Committee is satisfied that the targets remain stretching but achievable for participants, and that 2022 EPS at the full vesting level would represent a genuinely impressive outcome for the Company. The 7-12% per annum performance range will be applied to the underlying consolidated group EPS for 2019, adjusted to reflect a full year of Liberty Living earnings equivalent.

TSR and TAR targets are based on Unite's relative performance, with threshold and maximum vesting requiring performance in line with the median and upper quartile ranked constituent respectively, in line with market best practice. Full vesting under each element will require continued exceptional performance over the next three years. Any awards vesting for performance will be subject to an additional two-year holding period, during which time clawback provisions will also apply. Further details of the grant date and number of interests awarded will be disclosed in next year's report.

## Implementation of Non-Executive Director remuneration policy for 2020

### Chairman and Non-Executive Director Fees

During the final quarter of 2019, the Board undertook its annual review of Non-Executive Director fees. Following consideration of salary increases across the Group and indicative fee increases at sector and FTSE comparators, the Board determined that the basic fee should be increased by c.3.0% from £48,000 p.a. to £49,440 p.a. and that additional fees should be increased by a similar rate. The Committee, in considering similar factors, determined that the fee payable to the Chairman of the Board should be increased by a similar rate from £193,420 to £199,220. Each of these fee increases is in line with increases applied to the broader employee population.

A summary of the fee increases, which are effective 1 January 2020, is set out in the table below.

| Position | | 2019 fees | 2020 fees |
|---|---|---|---|
| **Base fees** | | | |
| Chairman | | £193,420 | £199,220 |
| Non-Executive Director | | £48,000 | £49,440 |
| **Additional fees** | | | |
| Senior Independent Director | | £5,650 | £5,820 |
| Audit Committee Chair | | £10,000 | £10,300 |
| Remuneration Committee Chair | | £10,000 | £10,300 |
| Nomination Committee Chair | Note 1 | n/a | n/a |
| Health and Safety Committee Chair | | £7,075 | £7,285 |

Note 1 As Chairman of the Board, Mr White does not receive any additional fee in respect of chairing this Committee.

## Directors' interests (audited)

A table setting out the beneficial interests of the Directors and their families in the share capital of the Company as at 31 December 2019 is set out below. None of the Directors has a beneficial interest in the shares of any other Group company. Since 31 December 2019, there have been no changes in the Directors' interests in shares.

| | | Ordinary Shares of 25p each at 31 December 2019 | Ordinary Shares of 25p each at 31 December 2018 |
|---|---|---|---|
| R Smith | | 226,614 | 254,564 |
| J Lister | | 459,128 | 446,931 |
| P White | | 13,566 | 13,566 |
| R Wilson | | 6,275 | 6,275 |
| A Jones | Note 1 | 20,229 | 20,229 |
| E McMeikan | | 6,572 | 6,440 |
| R Paterson | | 7,163 | 7,163 |
| R Akers | | 2,000 | 0 |
| I Beato | | 0 | 0 |
| S Pearce | | 0 | – |
| T Jackson | | 0 | – |

Note 1 As at the date of stepping down from the Board on 9 May 2019.

Details of Executive Directors' interests in share-based incentives are set out in the tables below.

## Share price information

As at 31 December 2019 the middle market price for ordinary shares in the Company was 1,260p per share. During the course of the year, the market price of the Company's shares ranged from 806p to 1,261p per ordinary share.

## Executive Directors' shareholding requirements (audited)

The table below shows the shareholding of each Executive Director against their respective shareholding requirement as at 31 December 2019:

| | Interests | | | | | Shareholding requirement % of salary/base fee | Current shareholding % of salary/base fee | Requirement met? |
|---|---|---|---|---|---|---|---|---|
| | Owned outright | Subject to deferral/ holding period | | Unvested and/or subject to perf. conditions | | | | |
| | | Shares | Options | Shares | Options | | | |
| | | Note 1 | | | | | Note 2 | |
| R Smith | 226,614 | 109,689 | 765 | 331,968 | 2,230 | 250% | 784% | Yes |
| J Lister | 459,128 | 89,265 | 765 | 270,164 | 2,230 | 200% | 1711% | Yes |
| P White | 13,566 | | | | | | 88% | |
| R Wilson | 6,275 | | | | | | 165% | |
| A Jones (Note 3) | 20,229 | | | | | | 531% | |
| E McMeikan | 6,572 | | | | | | 173% | |
| R Paterson | 7,163 | | | | | | 188% | |
| R Akers | 2,000 | | | | | | 53% | |
| I Beato | 0 | | | | | | 0% | |
| S Pearce | 0 | | | | | | 0% | |
| T Jackson | 0 | | | | | | 0% | |

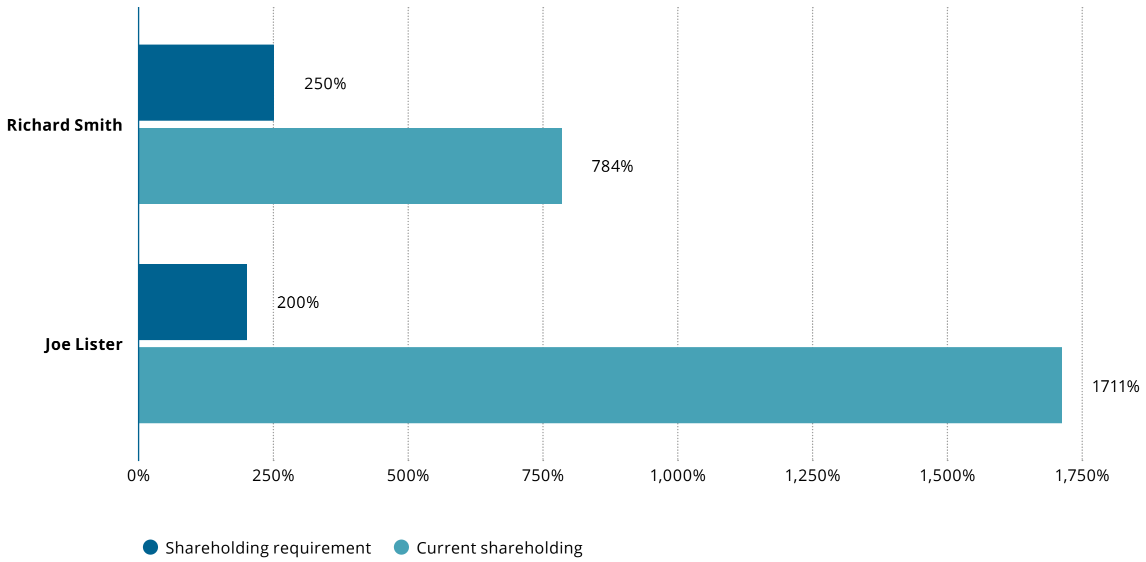
Note 1 Includes shares subject to a holding period under the LTIP and deferred bonus shares, where applicable.

Note 2 Based on share price as at 31 December 2019 of 806p. Shares subject to deferral/holding periods are taken on a 'net of tax' basis for the purposes of the current shareholding calculation.

Note 3 As at the date of stepping down from the Board on 9 May 2019.

# Annual Report on Remuneration continued

## Executive Directors' shareholding requirements




## Directors' interests in shares and options under Unite incentives (audited)

### Deferred bonus

No deferred bonus shares were outstanding as at 31 December 2019.

### LTIP awards

| Executive | Plan | Interests held at 01.01.19 | Interests awarded during the year | ESOS exercise price | Interests vested during the year (Note 1) | Interests lapsed during the year | Outstanding at 31.12.19 | Period of qualifying conditions |
|---|---|---|---|---|---|---|---|---|
| Joe Lister | PSP | 109,006 | – | – | 89,265 | 19,741 | – | 23.06.16 – 23.06.19 |
| | ESOS | 935 | – | 641.5p | 765 | 170 | – | |
| | PSP | 111,099 | – | – | – | – | 111,099 | 10.04.17 – 10.04.20 |
| | ESOS | 934 | – | 642.0p | – | – | 934 | |
| | PSP | 89,732 | – | – | – | – | 89,732 | 10.04.18 – 10.04.21 |
| | ESOS | 739 | – | 811.0p | – | – | 739 | |
| | PSP | – | 69,333 | – | – | – | 69,333 | 24.07.19 – 24.07.22 |
| | ESOS | – | 557 | 1076.0p | – | – | 557 | |
| | | **312,445** | **69,890** | | **90,030** | **19,911** | **272,394** | |
| Richard Smith | PSP | 133,947 | – | – | 109,689 | 24,258 | – | 23.06.16– 23.06.19 |
| | ESOS | 935 | – | 641.5p | 765 | 170 | – | |
| | PSP | 136,520 | – | – | – | – | 136,520 | 10.04.17 – 10.04.20 |
| | ESOS | 934 | – | 642.0p | – | – | 934 | |
| | PSP | 110,258 | – | – | – | – | 110,258 | 10.04.18 – 10.04.21 |
| | ESOS | 739 | – | 811.0p | – | – | 739 | |
| | PSP | – | 85,190 | – | – | – | 85,190 | 24.07.19 – 24.07.22 |
| | ESOS | – | 557 | 1076.0p | – | – | 557 | |
| | | **383,333** | **85,747** | | **110,454** | **24,428** | **334,198** | |

Note 1 All awards vesting for performance during the year are subject to an additional two-year holding period.

## SAYE

| Executive | Options held at 01.01.19 | Granted during the year | Exercised during the year | Option price per share | Options held at 31.12.19 (Note 1) | Maturity date |
|---|---|---|---|---|---|---|
| Joe Lister | 1,705 | – | – | 527.6p | – | 01.12.18 |
| | 1,617 | – | – | 556.4p | 1,617 | 01.12.20 |
| | 1,266 | – | – | 710.8p | 1,266 | 01.12.21 |
| Richard Smith | 3,411 | – | – | 527.6p | – | 01.12.18 |
| | – | 2,122 | – | 848.0p | 2,122 | 01.12.22 |

Note 1 As a result of the Company being in an extended closed period due to the acquisition of Liberty Living and in order to ensure continued compliance with the relevant Market Abuse Regulations, Executive Directors were not able to exercise their December 2018 maturity options within the six-month exercise window. Accordingly, these options lapsed as of 30 May 2019. In line with the treatment for other Company insiders, Messrs. Smith and Lister received equivalent payments of £27,147 and £13,985 respectively on 31 July 2019.

The highest, lowest and closing share prices for 2019 are shown on page 145.

Details of the qualifying performance conditions in relation to the above referred-to awards made in prior years are set out on previous pages or in earlier reports.

Awards made in prior years took the form of a combination of nil cost options under the PSP and HMRC-approved options under the ESOS. No variations have been made to the terms or conditions of any awards.

The fair value in respect of Directors' share options and LTIP awards recognised in the Income Statement is as follows:

| Executive | 2019 £ | 2018 £ |
|---|---|---|
| Joe Lister | **301,708** | 308,850 |
| Richard Smith | **369,182** | 363,098 |

The Directors' Remuneration Report has been approved by the Remuneration Committee and signed on its behalf by:

**Elizabeth McMeikan**
**Chair, Remuneration Committee**
26 February 2020

# Directors' Report

As at 26 February 2020, the Company had received notifications from the following companies and institutions of the voting interests of themselves and their clients in 3% or more of the issued ordinary share capital of the Company.

| Shareholder | Percentage of share capital |
|---|---|
| Canadian Pension Plan Investment Board (CPPIB) | 19.96 |
| BlackRock Inc | 6.36 |
| APG Asset Management NV | 5.98 |
| The Vanguard Group Inc | 3.97 |

## Authority to allot shares

The Company passed a resolution at the last Annual General Meeting of the Company on 9 May 2019 authorising the Directors to allot shares in accordance with Section 551 of the Companies Act 2006.

## Share capital

At the date of this report, there are 363,595,651 ordinary shares of 25p each in issue, all of which are fully paid-up and quoted on the London Stock Exchange.

During the year and through to the date of this report, the following numbers of ordinary shares of 25p each were allotted and issued as follows:

- 72,582,286 – CPPIB
- 26,353,664 – July 2019 share placing
- 1,017,472 – Unite share scrip scheme
- 110,680 – pursuant to the exercise of options under The Unite Group PLC Savings- Related Share Option Scheme; and
- 16,398 – pursuant to the exercise of options under the Approved Scheme.

The rights attaching to the Company's ordinary shares, as well as the powers of the Company's Directors, are set out in the Company's articles of association.

There are no restrictions on the transfer or voting rights of ordinary shares in the capital of the Company (other than those which may be imposed by law from time to time or as set out in the Company's articles of association).

The Directors have no authority to buy-back the Company's shares.

In accordance with the Market Abuse Regulations, certain employees are required to seek approval to deal in the Company's shares.

The Company is not aware of any agreements between shareholders that may result in restrictions on the transfers of securities and/or voting rights. No person holds securities in the Company carrying special rights with regard to control of the Company. Unless expressly specified to the contrary, the Company's articles of association may be amended by special resolution of the shareholders.

## Change of control

All of the Company's share schemes contain provisions relating to a change of control. Outstanding rewards and options would normally vest and become exercisable on a change of control, subject to the satisfaction of any performance conditions. Other than certain of the Group's banking facilities, there are no other significant agreements to which the Company is a party that affect, alter or terminate upon a change of control of the Company following a takeover bid. Nor are there any agreements between the Company and its Directors or employees providing for compensation for loss of office or employment that occurs because of a takeover bid.

Details of proposals to be put to the Annual General Meeting in relation to the power of Directors to issue shares in the Company are set out under the heading 'Annual General Meeting'.

## Going Concern and viability statement

The going concern statement and viability statement are set out on page 96 and are incorporated into this Directors' Report by reference.

## Disclosure of information to auditors

The Directors who held office at the date of approval of the Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

## Directors' conflicts of interest

The Company has procedures in place for managing conflicts of interest. A Director must notify the Chairman (and the Chairman notifies the Chief Executive) if he/she becomes aware that he/she, or any of his/her connected parties, may have an interest in an existing or proposed transaction with the Company or the Group. Directors have a continuing duty to update any changes to these conflicts.

## Political donations

No political donations were made during the year ending 2019.

## Indemnities

There are no qualifying third party indemnity provisions or qualifying pension scheme indemnity provisions for the benefit of any of the Directors.

## Research and development

The Company is not currently carrying on any activities in the field of research and development.

## Branch outside the UK

The Company does not have any branches outside of the UK.

## Appointment and replacement of Directors

The Company's articles of association provide that Directors may be appointed by the existing Directors or by the shareholders in a general meeting. Any person appointed by the Directors will hold office only until the next general meeting, notice of which is first given after their appointment and will then be eligible for re-election by the shareholders. A Director may be removed by the Company as provided for by applicable law and shall vacate office in certain circumstances as set out in the articles of association. In addition the Company may, by ordinary resolution, remove a Director before the expiration of his/her period of office and, subject to the articles of association, may by ordinary resolution appoint another person to be a Director instead. There is no requirement for a Director to retire on reaching any age.

## Disclosures required under Listing Rule 9.8 4R

For the purposes of LR 9.8.4C, the information required to be disclosed by LR 9.8.4R can be found in the following locations within the Annual Report:

| | Information required under LR 9.8.4R | Reference |
|---|---|---|
| (1) | Amount of interest capitalised and tax relief | Note 3.1, page 190 |
| (2) | Publication of unaudited financial information | n/a |
| (4) | Details of long term incentive schemes | Pages 141 to 142 and 144 and 146 |
| (5) | Waiver of emoluments by a Director | n/a |
| (6) | Waiver of future emoluments by a Director | n/a |
| (7) | Non pre-emptive issues of equity for cash | Pages 17 and 148 |
| (8) | Item (7) in relation to major subsidiary undertakings | n/a |
| (9) | Parent participation in a placing by a listed subsidiary | n/a |
| (10) | Contracts of significance | n/a |
| (11) | Provision of services by a controller shareholder | n/a |
| (12) | Shareholder waiver of dividends | n/a |
| (13) | Shareholder waiver of future dividends | n/a |
| (14) | Agreements with controlling shareholders | n/a |

All the information referenced above is incorporated by reference into the Directors' Report.

# Directors' Report continued

## Other information incorporated by reference

The following information in the Strategic Report is incorporated into this Directors' Report by reference:

- Results and Dividend on page 01
- Greenhouse Gas Emissions page on 77
- Financial instruments and financial risk management page on 42 and Section 4 of the notes to the financial statements on page 201
- Future developments on pages 24,25, 35 and 62 to 66
- Employment of disabled persons/Employee involvement on pages 83
- Workforce engagement on pages 32 and 33 and page 83
- Engagement with customers, partners and others on pages 32 and 33

The Corporate Governance Statement on pages 90 to 152, the Statement of Directors' responsibilities on page 153 and details of post balance sheet events on page 220 are incorporated into this Directors' report by reference.

## Management Report

This Directors' Report together with the Strategic Report and other sections from the Annual Report forms the Management report for the purposes of DTR 4.1.8 R.

## Annual General Meeting

**The Annual General Meeting (AGM) of the Company will be held at the Company's registered office at South Quay, Temple Back, Bristol, BS1 6FL at 9.30am on 7 May 2020. Formal notice (the Notice) of the Meeting is given on pages 229 to 234.**

## Resolutions 4–13: Re-election and election of Directors

In accordance with the requirements of the Code, each of the Directors offers themselves for re-election or election at the Annual General Meeting. Biographies of each of the Directors seeking election and re-election can be found on pages 92 to 95 together with the reasons why their contributions are, and continue to be, important to be Company's long-term sustainable success. Details in relation to Professor Sir Steve Smith who joins the Board in April 2020 are set out below.

### Professor Sir Steve Smith

Sir Steve brings with him a wealth of experience in the HE sector. He is currently the Vice-Chancellor and Chief Executive of the University of Exeter, a position he has held since 2002 and is stepping down from in August 2020. Sir Steve was the Chair of UCAS between 2012 and 2019 and serves on the Boards of Universities UK (UUK) and the Russell Group. Among other roles he is also Chair of UUK International Policy Network.

Between 2007 and 2010, Sir Steve led for Higher Education on the Prime Minister's National Council of Excellence in Education, which provided advice to Government about strategy and measures to achieve world-class education performance for all children and young people. Sir Steve was knighted in 2011 for services to Higher Education locally and nationally.

Sir Steve's extensive experience in the HE sector will contribute to how the Board navigates a changing HE sector. In addition, his hands on knowledge and insight into how Universities operate will help us develop stronger University partnerships. Sir Steve will also Chair our Health and Safety Committee and his on-campus knowledge will help ensure our approach to safety is well aligned with our customers, Universities, employees and wider stakeholders.

## Resolution 16: Authority to allot shares

In addition to the ordinary business of the meeting, Resolution 16 will be proposed as an ordinary resolution to grant the Directors authority to allot shares in the Company, and grant rights to subscribe for, or to convert, any security into shares of the Company, up to the aggregate amount stated in the Notice (which represents one-third of the nominal value of the issued share capital of the Company as at the date of the Notice). In accordance with guidelines issued by the Investment Association, this resolution also grants the Directors authority to allot further equity securities up to the aggregate amount stated in the Notice (which represents one-third of the nominal value of the issued share capital of the Company as at the date of the Notice). This additional authority may only be applied to fully pre-emptive rights issues. The Directors have no present intention of using this authority, however they consider it desirable to maintain the flexibility that this authority provides. This authority will last until the end of the Annual General Meeting held in 2021, or if earlier 6 August 2021.

### Resolution 17: Renewal of the Savings-Related Share Option Scheme (the 'SAYE')

The Company adopted the SAYE in 2010 with approval of shareholders. The SAYE is an HM Revenue & Customs tax-advantaged share plan, open to all Directors and employees (subject to certain minimum service requirements), which allows employees to save a fixed amount on a monthly basis in order to purchase Company shares. The SAYE, which the Company operates every year, continues to be popular with employees and has proved to be an attractive and successful incentive. As shareholder approval to operate the SAYE is due to expire this year, the Company wishes to extend shareholders' approval to operate the SAYE for a further period of ten years.

The principal terms of the SAYE are set out in the Appendix to the Notice of General Meeting on page 234.

### Resolutions 18 and 19: Disapplication of pre-emption rights resolutions

If the Directors wish to allot new shares and other equity securities for cash (other than in connection with an employee share scheme), company law requires that these shares are offered first to the shareholders, in proportion to their existing holdings. The Directors consider it desirable to have the maximum flexibility permitted by corporate governance guidelines to respond to market developments and to enable allotments to take place to finance business opportunities without making a pre-emptive offer to existing shareholders. This cannot be done under the Companies Act 2006 unless the shareholders have first waived their pre-emption rights. The purpose of Resolutions 18 and 19 (together the 'disapplication of pre-emptions rights resolutions') is to enable shareholders to so waive their pre-emption rights.

Resolution 18 authorises the Directors to allot new shares pursuant to the authority given by Resolution 16 (the allotment resolution) for cash:

(a) in connection with a rights issue or pre-emptive issue; and/or

(b) otherwise up to the aggregate amount stated in the Notice (which represents 5% of the nominal value of the issued share capital of the Company as at the date of the Notice), in each case without the shares first being offered to existing shareholders in proportion to their existing holdings.

Resolution 19 additionally authorises the Directors to allot new shares for cash, without the shares first being offered to existing shareholders in proportion to their existing holdings, in connection with the financing (or refinancing, if the authority is to be used within six months of the original transaction) of an acquisition or specified capital investment which is announced contemporaneously with the allotment or which has taken place in the preceding six-month period and is disclosed in the announcement of the allotment.

The authority under Resolution 19 is limited to the aggregate amount stated in the Notice (which represents 5% of the nominal value of the issued share capital of the Company as at the date of the Notice).

Taken together, this disapplication of pre-emption rights resolutions will allow the Directors to issue new shares for cash without offering the shares first to existing shareholders in proportion to their existing holdings under the following circumstances:

- in connection with a rights issue or other pre-emptive issue, with a nominal value equivalent to two-thirds of the issued share capital as at the date of the Notice (which will allow the Directors to make exclusions or such other arrangements as may be appropriate to resolve legal or practical problems which, for example, might arise with overseas shareholders);
- for any other purpose, with a nominal value equivalent to 5% of the issued share capital as at the date of the Notice; and
- in connection with the financing or refinancing of an acquisition or specified capital investment which is announced contemporaneously with the allotment or which has taken place in the preceding six-month period and is disclosed in the announcement of the allotment, with a nominal value equivalent to 5% of the issued share capital as at the date of the Notice, but subject to an overall aggregate limit equivalent to two-thirds of the issued share capital as at the date of the Notice.

## Directors' Report continued

The Directors intend to adhere to the provisions in the Pre-Emption Group's Statement of Principles, as updated in March 2015, and not to allot shares for cash on a non-pre-emptive basis pursuant to the authority in Resolution 16 either in excess of an amount equal to 5% of the total issued ordinary share capital of the Company or in excess of an amount equal to 7.5% of the total issued ordinary share capital of the Company within a rolling three-year period, without prior consultation with shareholders. Adherence to the principles would not preclude issuances under the authority sought under Resolution 19.

The allotment and the disapplication of pre-emption rights resolutions comply with the Share Capital Management Guidelines issued by the Investment Association in July 2016 and the disapplication of pre-emption rights resolutions follow the resolution templates issued by the Pre-Emption Group in May 2016.

If the resolutions are passed, the authorities will expire at the end of the next Annual General Meeting of the Company or, if earlier, 6 August 2021, this being the date 15 months from the passing of the resolutions, whichever is the earlier.

### Prior consultation with shareholders before the July 2019 share placing

Prior to launch of the July 2019 share placing (the Placing), the Company consulted with a significant number of its shareholders to gauge their feedback on the Liberty Living acquisition and the terms of the Placing. Feedback from this consultation was supportive and as a result the Board chose to proceed with the Placing to part finance the Liberty Living acquisition through an equity raise which would ensure the Group's LTV (after the acquisition) would be limited to approximately 40% immediately following Completion. The Placing was structured as an accelerated bookbuild to minimise execution and market risk. The Board applied the principles of pre-emption when allocating the Placing Shares to those investors that participated in the Placing. The Placing Shares were issued pursuant to the allotment and disapplication of pre-emption authorities that shareholders granted to the Company at the Annual General Meeting on 9 May 2019.

### Resolution 20: Notice of General Meetings

The minimum notice period for General Meetings of listed companies is 21 days, but companies may reduce this period to 14 days (other than for Annual General Meetings). At the Annual General Meeting of the Company held in 2019 shareholders authorised the calling of General Meetings, other than an Annual General Meeting, on not less than 14 days' notice. Resolution 20 seeks the approval of shareholders to renew the authority to be able to call General Meetings (other than an Annual General Meeting) on 14 days' notice. The flexibility offered by Resolution 20 will be used where, taking into account the circumstances, the Directors consider it appropriate in relation to the business of the Meeting and in the interests of the Company and shareholders as a whole.

The Company undertakes to meet the requirements for electronic voting under the Shareholders' Rights Regulations before calling a General Meeting on 14 days' notice. If given, the approval will be effective until the Company's next Annual General Meeting, when it is intended that a similar resolution will be proposed.

This report was approved by the Board on 26 February 2020 and signed on its behalf by

**Christopher Szpojnarowicz**
**Company Secretary**
26 February 2020

## Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and Accounts and the Group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements on the same basis.

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 parent company and of their profit or loss for that period.

In preparing each of the Group and parent company 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 they have been prepared in accordance with IFRSs as adopted by the EU
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They 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.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations.

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

Each of the Directors, the names of whom are set out on pages 92 to 95, confirms that to the best of his or her knowledge:

- The Annual Report and Accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy
- The financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole
- The Directors' Report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

**R S Smith**
**Director**

**J J Lister**
**Director**

26 February 2020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# Financial Statements



**Other information**



These financial statements are prepared in accordance with IFRS. The Board of Directors also presents the Group's performance on the basis recommended for real estate companies by the European Public Real Estate Association (EPRA). The reconciliation between IFRS performance measures and EPRA performance measures can be found in section 2.2 b for EPRA earnings and 2.3 c for EPRA net asset value (NAV). The adjustments to the IFRS results are intended to help users in the comparability of these results across other listed real estate companies in Europe and reflect how the Directors monitor the business.

# Independent auditor's report

To the members of the Unite Group PLC

## Report on the audit of the financial statements

### 1. Opinion

In our opinion:

- the financial statements of The Unite Group PLC (the 'parent company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2019 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated and parent company statements of cash flow; and
- the related sections 1 to 10.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

### 2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the Group for the year are disclosed in section 2.6 to the financial statements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## 3. Summary of our audit approach

| | |
|---|---|
| **Key audit matters** | The key audit matters that we identified in the current year were:<br>• Investment property and development property valuation;<br>• Accounting for Joint Ventures;<br>• Real Estate Investment Trust ('REIT') compliance; and<br>• Acquisition accounting in respect of Liberty Living Group plc.<br>Within this report, key audit matters are identified as follows:<br>! Newly identified   ◇ Similar level of risk |
| **Materiality** | The materiality that we used for the group financial statements was £31.0m which was determined on the basis of net assets. However, we use a lower threshold of £5.5m for balances which impact European Public Real Estate Association ('EPRA') earnings. |
| **Scoping** | Our Group audit scope comprises the audit of The Unite Group PLC as well as the Group's Joint Ventures, The Unite UK Student Accommodation Fund ('USAF'), The London Student Accommodation Venture ('LSAV'), as well as the newly acquired Liberty Living Group plc. All audit work was completed by the Group audit team. |
| **Significant changes in our approach** | The only significant change in our approach relates to the Group's acquisition of Liberty Living Group plc; this has been identified as a key audit matter. |

## 4. Conclusions relating to going concern, principal risks and viability statement

### 4.1. Going concern

We have reviewed the Directors' statement in section 1 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements.

We considered as part of our risk assessment the nature of the Group, its business model and related risks including where relevant the impact of Brexit, the requirements of the applicable financial reporting framework and the system of internal control. We evaluated the Directors' assessment of the Group's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment, and evaluated the Directors' plans for future actions in relation to their going concern assessment.

We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.

**Going concern is the basis of preparation of the financial statements that assumes an entity will remain in operation for a period of at least 12 months from the date of approval of the financial statements.**

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

### 4.2. Principal risks and viability statement

Based solely on reading the Directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the Directors' assessment of the Group's and the Company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 42 to 55 that describe the principal risks, procedures to identify emerging risks, and an explanation of how these are being managed or mitigated;
- the Directors' confirmation on page 46 that they have carried out a robust assessment of the principal and emerging risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity; or
- the Directors' explanation on page 46 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to report whether the Directors' statement relating to the prospects of the Group required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

**Viability means the ability of the Group to continue over the time horizon considered appropriate by the Directors.**

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

## Independent auditor's report continued

To the members of the Unite Group PLC

### 5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| **5.1. Investment property and development property valuation** | |
|---|---|
| **Key audit matter description** | The Group's principal assets are investment properties (2019: £3,535.8m; 2018: £1,497.1m) and investment properties under development (2019: £393.4; 2018: £278.9m); these include newly acquired investment properties following the acquisition of Liberty Living and leased assets. The Group also holds investments in its joint ventures, USAF and LSAV, with their principal assets also being investment properties. The investment properties are carried at fair value based on an appraisal by the Group's independent external valuers. Valuations are carried out at six-monthly intervals for the Group in accordance with the Royal Institution of Chartered Surveyors ('RICS') Valuation – Professional Standards (the 'Red Book'), taking into account transactional evidence during the year.<br><br>Management conduct a detailed exercise twice annually to assess the valuation of the Group's property portfolio. The valuation is underpinned by a number of judgements and assumptions as it requires the estimation of property yields, rental growth, occupancy and property management costs. A small change in these assumptions could have a significant impact on the valuation of properties and there is an associated fraud risk due to the risk of management override of controls relating to the valuation process. With regards to the valuation of the USAF and LSAV properties, small changes could also have a significant impact on a key input to the calculation of a performance fee which could be recognised for the year ended 31 December 2019 if the hurdle rate is achieved as this is based on the net asset values of the funds.<br><br>With regards to the investment properties under development, additional judgement is required to forecast discounted cash flows with a deduction for construction costs to complete.<br><br>Refer to page 112 (Audit Committee Statement) and section 3.1: Wholly owned property assets and section 3.4 Investments in joint ventures. |
| **How the scope of our audit responded to the key audit matter** | We performed testing on the property valuations and critically assessed the judgements and estimates that had been made. This work included:<br>• Understanding and documenting the underlying business process and then evaluating the design, determining implementation and testing operating effectiveness of the relevant controls for the Group, with the exception of Liberty Living where no tests of operating effectiveness of the relevant controls have been performed due to the timing of the acquisition by the Group;<br>• Understanding and challenging the assumptions used in relation to key drivers such as rental income and growth, occupancy, yields and property management costs with reference to the trends at the end of the year and the following year's budget. Our assessment as to the appropriateness of the assumptions included consideration of the impact of the United Kingdom leaving the European Union;<br>• Meeting with the Group's valuers to understand the assumptions being taken and consistency of the judgements with prior year. We also assessed the competency and capability of the Group's valuers;<br>• Working with our valuation experts within our Deloitte Real Estate team to benchmark the assumptions used against market data; and<br>• Assessing the Group's development appraisal process through meeting with the development team and assessing the forecast cost to complete against budget and substantive testing of costs incurred to date. |
| **Key observations** | We are satisfied with the approach and methodology adopted in valuing the property portfolio and consider the valuations to be suitable for inclusion in the financial statements at 31 December 2019. |

### 5.2. Accounting for Joint Ventures

| | |
|---|---|
| **Key audit matter description** | A significant proportion of the Group's assets is held within USAF and LSAV, jointly owned entities that are accounted for under the equity method as joint ventures (2019: £880.9m; 2018: £819.7m), on the basis that Unite does not control the entities. At 31 December 2019 Unite had a 22.0% (2018: 25.3%) ownership of USAF and 50.0% (2018: 50.0%) ownership of LSAV, and acts as manager of both joint venture vehicles.<br><br>Due to the complexity of the contractual arrangements, and the Group's role as manager of the joint venture vehicles, the assessment of control involves judgements around a number of significant factors, particularly with regard to USAF given that it is a multi-investor fund and the Unite ownership stake is subject to change. In accordance with the requirements of IFRS, there is a need to assess control with regards to the ability to direct relevant activities, to have exposure to variable returns and the ability to use power to affect returns at each reporting period. Management have assessed (in line with the prior year) that Unite does not have control over USAF and LSAV, but has joint control. Consequently Management has accounted for the joint ventures under the equity method rather than consolidating them within the Group's financial statements.<br><br>Refer to page 113 (Audit Committee Statement) and section 3.4: Investments in joint ventures. |
| **How the scope of our audit responded to the key audit matter** | Our audit procedures on this area focused on assessing the activities of the businesses, understanding the contractual agreements in place and identifying the methodology applied by management in reaching their business decisions in order to consider the appropriateness of the classification of these arrangements as joint ventures in accordance with the requirements of IFRS.<br><br>With regards to both USAF and LSAV, we have:<br>• Understood and documented the underlying business process and evaluated the design and determined implementation of the relevant controls;<br>• Critically assessed the key activities and how they impact the returns to the Group from the funds and challenged management's own consideration of these factors in their application of IFRS;<br>• Assessed the Group's monitoring of its role and the three key factors relating to control and its exercise in accordance with the judgement required under IFRS; and<br>• Reviewed any changes to the fund agreements in the year.<br><br>Given the particular focus on USAF, we have:<br>• Assessed the role of the USAF Advisory Committee and whether Unite has the sole power to direct the activities that are likely to most significantly affect the returns of USAF in the future, and therefore whether Unite does have control of USAF; and<br>• Critically evaluated the impact of the percentage ownership on a regular basis. |
| **Key observations** | There has been no changes to the structure and the role played by Unite as investor and asset/development manager or to the fund agreements in the year.<br><br>We consider Management's conclusion that Unite does not have control of the Joint Ventures to be consistent with our conclusion. Therefore, treatment as joint ventures is considered to be appropriate. |

# Independent auditor's report continued

To the members of the Unite Group PLC

## 5. Key audit matters continued

### 5.3. REIT compliance

| | |
|---|---|
| **Key audit matter description** | On 1 January 2017, the Group converted to a Real Estate Investment Trust ('REIT'), with HMRC confirming that the election to REIT status has been validly made. The primary tax consequences of conversion and ongoing maintenance of REIT status are that future UK property business profits and gains on investment properties are not subject to UK corporation tax. Most notably, this means that the Group no longer recognises deferred tax in relation to the valuation gains on the investment property portfolio.<br><br>In order to maintain REIT status, the Group must comply with certain tests and other conditions to ensure its continuation under the regime. The compliance tests now also include the results of Liberty Living following its acquisition by the Group. Due to the material impact on the Group's financial results of remaining in compliance with the REIT regime requirements, we consider REIT compliance to be a key audit matter.<br><br>Refer to page 113 (Audit Committee Statement) and section 2.5: Tax. |
| **How the scope of our audit responded to the key audit matter** | Our audit procedures included:<br>• Understanding and documenting the underlying business process and then evaluating the design, determining implementation and testing operating effectiveness of the relevant controls;<br>• Considered the impact of the Liberty Living acquisition upon the group's REIT compliance, Liberty Living itself being a REIT;<br>• Involving tax audit specialists, including REIT specialists, to assess whether the key judgements relating to REIT compliance are understood;<br>• Considering the clarity and presentation of the Group's disclosures of its tax balances and effective tax rate reconciliation; and<br>• Testing the Group's current and forecast compliance with the REIT regime rules. Our assessment as to the appropriateness of the Group's forecasts included consideration of the impact of the United Kingdom leaving the European Union. |
| **Key observations** | We are satisfied with management's calculations and compliance with the REIT regime. |

### 5.4. Acquisition accounting in respect of Liberty Living Group plc

| | |
|---|---|
| **Key audit matter description** | The Group completed the acquisition of Liberty Living Group plc on 28 November 2019 with a total initial consideration of £1,397.1m which consisted of cash and equity shares.<br><br>Given the size of the acquisition, we have identified that there is a risk of material misstatement that the acquisition is not appropriately accounted for in line with IFRS 3 Business Combinations.<br><br>We have pinpointed the key audit matter to the assumptions and key estimates and methodology used by management to identify and fair value the acquired assets, including separately identifiable intangible assets, together with the appropriateness of the subsequent impairment charge recorded. Intangible assets of £384.5m arose on the acquisition, representing goodwill and the brand valuation, which were subsequently impaired in full.<br><br>Refer to page 113 (Audit Committee Statement) and section 6 for the Group's acquisition accounting policies and the Group's disclosures for the acquisition. |

| | |
|---|---|
| **How the scope of our audit responded to the key audit matter** | We have evaluated management's determination of the fair value of the net assets acquired. We challenged management's methodology and assumptions underlying the fair values by:<br>• Understanding the underlying valuation process and then evaluating the design and testing the implementation of the relevant controls;<br>• For the valuation of the acquired Liberty Living brand which was recognised as an intangible asset on acquisition, we involved our internal valuation specialists to evaluate the valuation methodologies used to determine and value identified intangible assets. We challenged key assumptions based on external market data, including the applied royalty rate. We compared these rates to those rates used by management.<br>• For the valuation of investment properties, we met with the Group's valuers to understand the assumptions being taken and consistency of the judgements with previous valuations. Working with our valuation experts within our Deloitte Real Estate team, we performed benchmarking of the assumptions used against market data.<br>To determine the appropriateness of the subsequent impairment of the Liberty brand and the goodwill arising on acquisition, we performed the following procedures:<br>• Understanding management's rationale for the impairment; and<br>• Challenging the recorded impairment as being in accordance with IAS 36 Impairment of Assets, including specific consideration of management's determination that the goodwill represented the property portfolio premium paid which could not be ascribed to individual acquired properties as well the fact that management is not planning to use the Liberty brand going forward. |
| **Key observations** | We are satisfied that management's key estimates, methodology and assumptions used to determine the fair values of acquired assets are reasonable and that the impairment recorded is appropriate. |

## 6. Our application of materiality

### 6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

| | Group financial statements | Parent company financial statements |
|---|---|---|
| **Materiality** | £31.0m (2018: £21.0m)<br>EPRA Earnings Impacting Measures: £5.5m (2018: £4.4m) | £29.5m (2018: £20.0m) |
| **Basis for determining materiality** | Materiality: 1% of Net Assets (2018: 1% of Net Assets)<br>EPRA Earnings Impacting Measures: 5% of EPRA Earnings (2018: 5% of EPRA Earnings) | 1% of Net Assets (2018: 1% of Net Assets) |
| **Rationale for the benchmark applied** | We determined materiality for the Group based on 1% of net assets as the balance sheet is considered to be a key driver of a property group.<br>In addition to net assets, we consider the EPRA earnings measure to be a critical financial performance measure for the Group and we have applied a lower threshold based on 5% of EPRA earnings for testing of revenue, cost of sales, operating expenses, loan interest and similar charges, finance income, share of joint venture profit and taxation. | As the parent holding company the principal activity is to hold the investments in subsidiaries. Therefore, the net assets balance is considered to be the key driver of the Company's performance and the most relevant benchmark for materiality. |

# Independent auditor's report continued

To the members of the Unite Group PLC

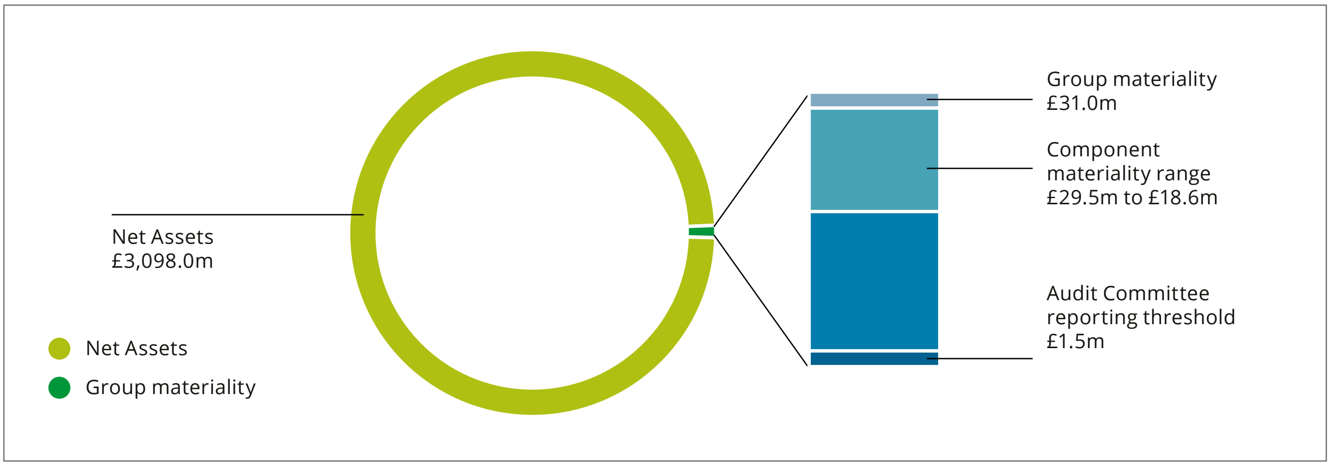
## 6. Our application of materiality continued

### 6.2. Performance materiality

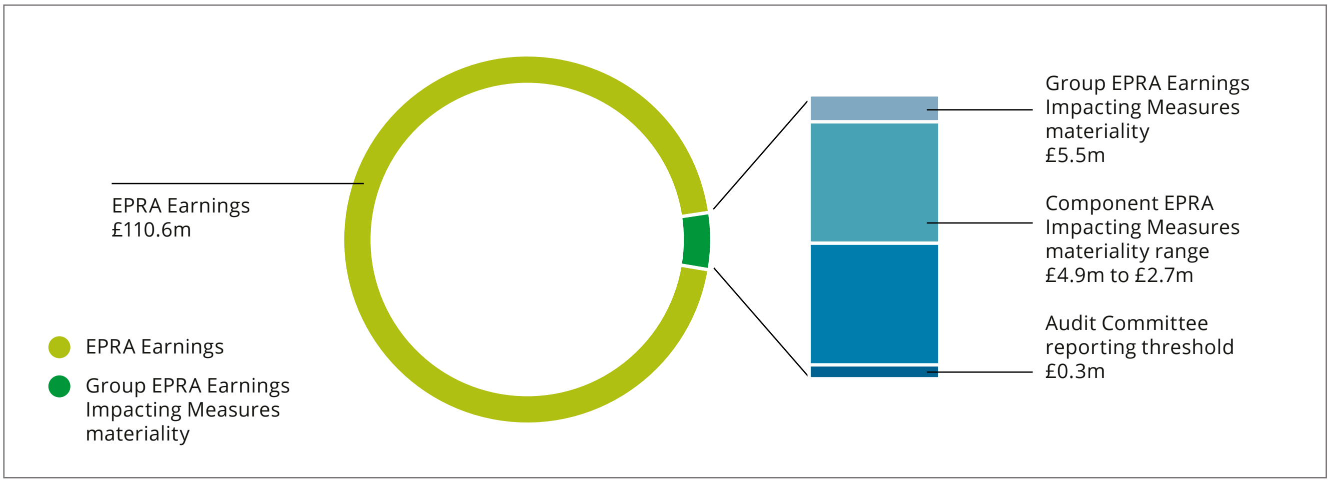
We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Group performance materiality was set at 70% of Group materiality for the 2019 audit (2018: 70%). In determining performance materiality, we considered the following factors:

- our risk assessment, including our assessment of the Group's overall control environment and that we consider it appropriate to rely on controls over a number of business processes; and
- our past experience of the audit, which has indicated a low number of corrected and uncorrected misstatements identified in prior periods.

### Materiality




### EPRA Earnings Impacting Measures




### 6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £1.5m (2018: £1.0m) and for EPRA impacting measures we would report differences in excess of £275,000 (2018: £220,900), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

## 7. An overview of the scope of our audit

### 7.1. Identification and scoping of components

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level.

The Group is audited by one audit team, led by the Senior Statutory Auditor. Other than for Liberty Living Group plc, the audit is performed centrally at the Group's Bristol head office, as the books and records for each entity within the Group are maintained at this location. For the audit of Liberty Living Group plc, the audit was primarily performed at the component's head office in London. The Group only operates within the United Kingdom – this includes Unite as well as Liberty Living Group plc and the two joint ventures, USAF and LSAV.

We audit all of the results of the Group, including Liberty Living Group plc, together with USAF and LSAV, for the purposes of our Group audit. We have also tested the consolidation process to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information.

### 7.2. Our consideration of the control environment

From our walkthroughs and understanding of the entity and after evaluating the design and determining the implementation and operating effectiveness of the key controls at the business cycle and account balance levels, other than for Liberty Living, we relied on controls in performing our audit of the following business cycles:

- Investment property;
- Revenue;
- Expenditure; and
- Payroll.

Reliance on general IT controls was taken for the Group, excluding Living Liberty which continued to use its own systems following its acquisition by Unite at the end of November 2019.

Excluding Liberty Living, the Group uses the following application systems for the recording and reporting of its financial statements:

- Oracle EBS – general ledger and room booking system;
- Portal Agent Desktop (PAD) – room booking portal used by students and implemented on top of Oracle EBS and therefore where revenue transactions are initiated; and
- HFM – used to prepare the Group consolidation at the Group's Head Office.

We involved IT specialists to assess the key controls over the three systems set out above. Working with IT specialists we identified and assessed relevant risks arising from each relevant IT system and the supporting infrastructure technologies based on the role of the application in the Group's flow of transactions. We obtained an understanding of the IT environment as part of these risk assessment procedures. Relevant controls were identified and tested to address those IT risks and involving our IT specialists we performed the following procedures:

- Determined whether each general IT control, individually or in combination with other controls, was appropriately designed to address the risk;
- Obtained sufficient evidence to assess the operating effectiveness of the controls across the full audit period; and
- Performed exposure testing and additional procedures where required if there were exceptions to the operation of those controls.

# Independent auditor's report continued

To the members of the Unite Group PLC

## 8. Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- Fair, balanced and understandable – the statement given by the Directors that they consider the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- Audit committee reporting – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or
- Directors' statement of compliance with the UK Corporate Governance Code – the parts of the directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

We have nothing to report in respect of these matters.

## 9. Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the parent company'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 the Directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

## 10. Auditor's responsibilities for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud and non-compliance with laws and regulations are set out below.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

## 11. Extent to which the audit was considered capable of detecting irregularities, including fraud

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

### 11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for Directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit, the Group's internal legal counsel and the Audit Committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and involving relevant internal specialists, including tax, valuations and IT specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: investment property and development property valuation owing to the risk of management override of controls relating to the valuation process; and revenue recognition owing to the risk of management override of controls relating to the revenue IT system. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. These included the Group's compliance with health and safety matters, including fire safety and fire cladding.

# Independent auditor's report continued

To the members of the Unite Group PLC

## 11. Extent to which the audit was considered capable of detecting irregularities, including fraud continued

### 11.2. Audit response to risks identified

As a result of performing the above, we identified investment property and development property valuation as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit Committee and in-house and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC;
- in addressing the identified revenue fraud risk: testing the revenue IT system controls by involving our IT specialists; and vouching a sample of rental income to tenancy agreement acceptance and cash receipt; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

## 12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

## 13. Matters on which we are required to report by exception

### 13.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have nothing to report in respect of these matters.

### 13.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

## 14. Other matters

### 14.1. Auditor tenure

Following the recommendation of the Audit Committee, we were appointed by the Board on 10 June 2015 to audit the financial statements for the year ending 31 December 2015 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is five years, covering the years ending 31 December 2015 to 31 December 2019.

### 14.2. Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).

## 15. Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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.

**Judith Tacon**

**(Senior statutory auditor)**

for and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

26 February 2020

## Consolidated income statement

For the year ended 31 December 2019

| | Note | 2019 £m | 2018 £m |
|---|---|---|---|
| Rental income | 2.4 | **134.1** | 112.7 |
| Other income | | **22.1** | 15.6 |
| **Total revenue** | 2.4 | **156.2** | **128.3** |
| Cost of sales | | **(33.0)** | (40.2) |
| Operating expenses | | **(26.6)** | (23.6) |
| Results from operating activities | | **96.6** | 64.5 |
| Loss on disposal of property | | **(7.3)** | (6.8) |
| Net valuation gains on property (owned) | 3.1 | **154.8** | 105.8 |
| Net valuation losses on property (leased) | 3.1 | **(8.1)** | – |
| Impairment of goodwill and intangible asset | 6 | **(384.1)** | – |
| Acquisition costs | 6 | **(22.8)** | – |
| **(Loss)/profit before net financing costs and share of joint venture profit** | | **(170.9)** | **163.5** |
| Loan interest and similar charges | 4.3 | **(23.8)** | (14.3) |
| Interest on lease liability | 4.3 | **(9.2)** | – |
| Mark to market changes on interest rate swaps | 4.3 | **(2.7)** | – |
| Swap cancellation and loan break costs | 4.3 | **(2.7)** | (0.1) |
| Finance costs | 4.3 | **(38.4)** | (14.4) |
| Finance income | 4.3 | **5.5** | 0.9 |
| **Net financing costs** | 4.3 | **(32.9)** | **(13.5)** |
| Share of joint venture profit | 3.4b | **102.6** | 95.8 |
| **(Loss)/profit before tax** | | **(101.2)** | **245.8** |
| Current tax | 2.5a | **(0.1)** | (4.1) |
| Deferred tax | 2.5a | **13.7** | (4.4) |
| **(Loss)/profit for the year** | | **(87.6)** | **237.3** |
| **(Loss)/profit for the year attributable to** | | | |
| Owners of the parent company | 2.2c | **(89.2)** | 235.7 |
| Minority interest | | **1.6** | 1.6 |
| | | **(87.6)** | **237.3** |
| **(Loss)/earnings per share** | | | |
| Basic | 2.2c | **(31.5)p** | 90.8p |
| Diluted | 2.2c | **(31.4)p** | 90.6p |

All results are derived from continuing activities.

## Consolidated statement of comprehensive income

For the year ended 31 December 2019

| | Note | 2019 £m | 2018 £m |
|---|---|---|---|
| **(Loss)/profit for the year** | | **(87.6)** | **237.3** |
| Movements in effective hedges | 4.5a | **(4.8)** | 0.6 |
| Share of joint venture movements in effective hedges | 3.4b | **(0.5)** | 1.2 |
| Other comprehensive (loss)/income for the year | | **(5.3)** | 1.8 |
| **Total comprehensive (loss)/income for the year** | | **(92.9)** | **239.1** |
| **Attributable to** | | | |
| Owners of the parent company | | **(94.5)** | 237.5 |
| Minority interest | | **1.6** | 1.6 |
| | | **(92.9)** | **239.1** |

All other comprehensive income may be classified as profit and loss in the future.
There are no tax effects on items of other comprehensive income.

# Consolidated balance sheet

At 31 December 2019

| | Note | 2019 £m | 2018 £m |
|---|---|---|---|
| **Assets** | | | |
| Investment property (owned) | 3.1 | **3,406.9** | 1,497.1 |
| Investment property (leased) | 3.1 | **110.4** | – |
| Investment property under development | 3.1 | **411.8** | 278.9 |
| Investment in joint ventures | 3.4b | **875.2** | 819.7 |
| Other non-current assets | 3.3b | **26.0** | 33.0 |
| Right of use assets | 3.3a | **5.5** | – |
| Deferred tax asset | 2.5d | **2.9** | – |
| **Total non-current assets** | | **4,838.7** | **2,628.7** |
| Inventories | 3.2 | **4.0** | 9.1 |
| Trade and other receivables | 5.2 | **87.1** | 88.1 |
| Cash and cash equivalents | 5.1 | **86.9** | 123.6 |
| **Total current assets** | | **178.0** | **220.8** |
| **Total assets** | | **5,016.7** | **2,849.5** |
| **Liabilities** | | | |
| Borrowings | 4.1 | **(1.4)** | (1.3) |
| Lease liabilities | 4.6a | **(3.9)** | – |
| Trade and other payables | 5.4 | **(234.7)** | (141.5) |
| Current tax liability | | **(4.0)** | (4.6) |
| **Total current liabilities** | | **(244.0)** | **(147.4)** |
| Borrowings | 4.1 | **(1,566.2)** | (591.3) |
| Lease liabilities | 4.6a | **(100.9)** | – |
| Interest rate swaps | 4.2 | **(7.6)** | (0.1) |
| Deferred tax liability | 2.5d | **–** | (11.9) |
| **Total non-current liabilities** | | **(1,674.7)** | **(603.3)** |
| **Total liabilities** | | **(1,918.7)** | **(750.7)** |
| **Net assets** | | **3,098.0** | **2,098.8** |
| **Equity** | | | |
| Issued share capital | 4.8 | **90.9** | 65.9 |
| Share premium | 4.8 | **1,874.9** | 740.5 |
| Merger reserve | | **40.2** | 40.2 |
| Retained earnings | | **1,069.0** | 1,224.4 |
| Hedging reserve | | **(3.5)** | 2.0 |
| **Equity attributable to the owners of the parent company** | | **3,071.5** | **2,073.0** |
| Minority interest | | **26.5** | 25.8 |
| **Total equity** | | **3,098.0** | **2,098.8** |

The financial statements of The Unite Group PLC, registered number 03199160, were approved and authorised for issue by the Board of Directors on 26 February 2020 and were signed on its behalf by:

**R S Smith**
**Director**

**J J Lister**
**Director**

# Company balance sheet

At 31 December 2019

| | Note | 2019 £m | 2018 £m |
|---|---|---|---|
| **Assets** | | | |
| Investments in subsidiaries | 3.5 | **2,213.7** | 1,189.4 |
| Total investments | | **2,213.7** | 1,189.4 |
| Loan to Group undertaking | | **–** | 90.0 |
| **Total non-current assets** | | **2,213.7** | **1,279.4** |
| Trade and other receivables | 5.2 | **1,208.1** | 1,095.7 |
| Cash and cash equivalents | | **9.4** | – |
| **Total current assets** | | **1,217.5** | **1,095.7** |
| **Total assets** | | **3,431.2** | **2,375.1** |
| **Current liabilities** | | | |
| Borrowings | 4.1 | **–** | (0.5) |
| Amounts due to Group undertakings | 5.4 | **(19.1)** | (2.6) |
| Other payables | 5.4 | **(7.0)** | (5.3) |
| **Total current liabilities** | | **(26.1)** | **(8.4)** |
| Borrowings | 4.1 | **(442.2)** | (355.6) |
| Interest rate swaps | 4.2 | **(7.6)** | – |
| **Total non-current liabilities** | | **(449.8)** | **(355.6)** |
| **Total liabilities** | | **(475.9)** | **(364.0)** |
| **Net assets** | | **2,955.3** | **2,011.1** |
| **Equity** | | | |
| Issued share capital | 4.8 | **90.9** | 65.9 |
| Share premium | 4.8 | **1,874.9** | 740.5 |
| Merger reserve | | **40.2** | 40.2 |
| Hedging reserve | | **(3.0)** | 2.2 |
| Retained earnings | | **952.3** | 1,162.3 |
| **Total equity** | | **2,955.3** | **2,011.1** |

Total equity is wholly attributable to equity holders of The Unite Group PLC. The loss of The Unite Group PLC in 2019 was £139.3 million (2018: profit of £252.2 million).

The financial statements of The Unite Group PLC, registered number 03199160, were approved and authorised for issue by the Board of Directors on 26 February 2020 and were signed on its behalf by:

**R S Smith**
**Director**

**J J Lister**
**Director**

# Consolidated statement of changes in shareholders' equity

For the year ended 31 December 2019

| | Note | Issued share capital £m | Share premium £m | Merger reserve £m | Retained earnings £m | Hedging reserve £m | Attributable to owners of the parent £m | Minority interest £m | Total £m |
|---|---|---|---|---|---|---|---|---|---|
| **At 1 January 2019** | | **65.9** | **740.5** | **40.2** | **1,224.4** | **2.0** | **2,073.0** | **25.8** | **2,098.8** |
| **Effect of initial application of IFRS 16** | 1 | **–** | – | **–** | **3.2** | **–** | **3.2** | **–** | **3.2** |
| At 1 January 2019 – as restated | | **65.9** | **740.5** | **40.2** | **1,227.6** | **2.0** | **2,076.2** | **25.8** | **2,102.0** |
| (Loss)/profit for the year | | **–** | **–** | **–** | **(89.2)** | **–** | **(89.2)** | **1.6** | **(87.6)** |
| Other comprehensive loss for the year: | | | | | | | | | |
| Movement in effective hedges | | **–** | **–** | **–** | **–** | **(4.8)** | **(4.8)** | **–** | **(4.8)** |
| Share of joint venture movements in effective hedges | 3.4b | **–** | **–** | **–** | **–** | **(0.5)** | **(0.5)** | **–** | **(0.5)** |
| Total comprehensive (loss)/profit for the year | | **–** | **–** | **–** | **(89.2)** | **(5.3)** | **(94.5)** | **1.6** | **(92.9)** |
| Shares issued | 4.8 | **25.0** | **1,134.4** | **–** | **–** | **–** | **1,159.4** | **–** | **1,159.4** |
| Deferred tax on share-based payments | | **–** | **–** | **–** | **0.2** | **–** | **0.2** | **–** | **0.2** |
| Fair value of share-based payments | | **–** | **–** | **–** | **1.9** | **–** | **1.9** | **–** | **1.9** |
| Own shares acquired | | **–** | **–** | **–** | **(0.8)** | **–** | **(0.8)** | **–** | **(0.8)** |
| Unwind of realised swap gain | | **–** | **–** | **–** | **–** | **(0.2)** | **(0.2)** | **–** | **(0.2)** |
| Dividends paid to owners of the parent company | 4.9 | **–** | **–** | **–** | **(70.7)** | **–** | **(70.7)** | **–** | **(70.7)** |
| Dividends to minority interest | | **–** | **–** | **–** | **–** | **–** | **–** | **(0.9)** | **(0.9)** |
| **At 31 December 2019** | | **90.9** | **1,874.9** | **40.2** | **1,069.0** | **(3.5)** | **3,071.5** | **26.5** | **3,098.0** |

| | Note | Issued share capital £m | Share premium £m | Merger reserve £m | Retained earnings £m | Hedging reserve £m | Attributable to owners of the parent £m | Minority interest £m | Total £m |
|---|---|---|---|---|---|---|---|---|---|
| **At 1 January 2018** | | **60.2** | **579.5** | **40.2** | **1,051.2** | **(2.1)** | **1,729.0** | **25.2** | **1,754.2** |
| Profit for the year | | – | – | – | 235.7 | – | 235.7 | 1.6 | 237.3 |
| Other comprehensive income for the year: | | | | | | | | | |
| Movement in effective hedges | | – | – | – | – | 0.6 | 0.6 | – | 0.6 |
| Share of joint venture movements in effective hedges | 3.4b | – | – | – | – | 1.2 | 1.2 | – | 1.2 |
| Total comprehensive income for the year | | – | – | – | 235.7 | 1.8 | 237.5 | 1.6 | 239.1 |
| Shares issued | 4.8 | 5.7 | 161.0 | – | – | – | 166.7 | – | 166.7 |
| Deferred tax on share-based payments | | – | – | – | 0.3 | – | 0.3 | – | 0.3 |
| Fair value of share-based payments | | – | – | – | 1.1 | – | 1.1 | – | 1.1 |
| Own shares acquired | | – | – | – | (1.4) | – | (1.4) | – | (1.4) |
| Realised swap gain | | – | – | – | – | 2.3 | 2.3 | – | 2.3 |
| Dividends paid to owners of the parent company | 4.9 | – | – | – | (62.5) | – | (62.5) | – | (62.5) |
| Dividends to minority interest | | – | – | – | – | – | – | (1.0) | (1.0) |
| **At 31 December 2018** | | **65.9** | **740.5** | **40.2** | **1,224.4** | **2.0** | **2,073.0** | **25.8** | **2,098.8** |

The notes on pages 174 to 227 form part of the financial statements.

# Company statement of changes in shareholders' equity

For the year ended 31 December 2019

| | Note | Issued share capital £m | Share premium £m | Merger reserve £m | Hedging reserve £m | Retained earnings £m | Total £m |
|---|---|---|---|---|---|---|---|
| **At 1 January 2019** | | **65.9** | **740.5** | **40.2** | **2.2** | **1,162.3** | **2,011.1** |
| Loss and total comprehensive loss for the year | | **–** | **–** | **–** | **–** | **(139.3)** | **(139.3)** |
| Shares issued | 4.8 | **25.0** | **1,134.4** | **–** | **–** | **–** | **1,159.4** |
| Unwind of realised swap gain | | **–** | **–** | **–** | **(5.2)** | **–** | **(5.2)** |
| Dividends to shareholders | 4.9 | **–** | **–** | **–** | **–** | **(70.7)** | **(70.7)** |
| **At 31 December 2019** | | **90.9** | **1,874.9** | **40.2** | **(3.0)** | **952.3** | **2,955.3** |

| | Note | Issued share capital £m | Share premium £m | Merger reserve £m | Hedging reserve £m | Retained earnings £m | Total £m |
|---|---|---|---|---|---|---|---|
| **At 1 January 2018** | | **60.2** | **579.5** | **40.2** | **–** | **972.6** | **1,652.5** |
| Profit and total comprehensive income for the year | | – | – | – | – | 252.2 | 252.2 |
| Shares issued | 4.8 | 5.7 | 161.0 | – | – | – | 166.7 |
| Realised swap gain | | – | – | – | 2.2 | – | 2.2 |
| Dividends to shareholders | 4.9 | – | – | – | – | (62.5) | (62.5) |
| **At 31 December 2018** | | **65.9** | **740.5** | **40.2** | **2.2** | **1,162.3** | **2,011.1** |

The notes on pages 174 to 227 form part of the financial statements.

## Statements of cash flows

For the year ended 31 December 2019

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2019 £m | 2018 £m | 2019 £m | 2018 £m |
| **Net cash flows from operating activities** | 5.1 | **78.5** | **59.7** | **(2.5)** | **(0.5)** |
| **Investing activities** | | | | | |
| Cash consideration for acquisition Liberty Living | 6 | **(492.0)** | – | **(492.0)** | – |
| Cash acquired on acquisition of Liberty Living | | **22.4** | – | **–** | – |
| Acquisition costs | | **(17.5)** | – | **–** | – |
| Redemption of units in joint ventures | | **–** | 30.9 | **–** | – |
| Capital expenditure on properties | | **(179.9)** | (247.9) | **–** | – |
| Acquisition of intangible assets | | **(4.6)** | (6.6) | **–** | – |
| Acquisition of plant and equipment | | **(0.4)** | (1.3) | **–** | – |
| Proceeds from sale of investment property | | **295.4** | 38.0 | **–** | – |
| Interest received | | **0.9** | 0.9 | **–** | – |
| Dividends received | | **32.8** | 37.5 | **–** | – |
| Payments to/on behalf of subsidiaries | | **–** | – | **(301.5)** | (186.3) |
| Payments from subsidiaries | | **–** | – | **553.5** | 5.7 |
| **Net cash flows from investing activities** | | **(342.9)** | **(148.5)** | **(240.0)** | **(180.6)** |
| **Financing activities** | | | | | |
| Proceeds from the issue of share capital | | **254.7** | 166.7 | **254.7** | 166.7 |
| Payments to acquire own shares | | **(0.8)** | (1.4) | **–** | – |
| Interest paid in respect of financing activities | | **(32.0)** | (21.1) | **(17.4)** | (9.5) |
| Swap cancellation costs | | **(2.7)** | (0.1) | **–** | 2.2 |
| Proceeds from non-current borrowings | | **175.0** | 375.8 | **175.0** | 269.4 |
| Repayment of borrowings | | **(96.0)** | (295.4) | **(90.3)** | (183.0) |
| Dividends paid to the owners of the parent company | | **(69.6)** | (62.3) | **(69.6)** | (62.3) |
| Dividends paid to minority interest | | **(0.9)** | (1.0) | **–** | – |
| **Net cash flows from financing activities** | | **227.7** | **161.2** | **252.4** | **183.5** |
| **Net (decrease)/increase in cash and cash equivalents** | | **(36.7)** | 72.4 | **9.9** | 2.4 |
| Cash and cash equivalents at start of year | | **123.6** | 51.2 | **(0.5)** | (2.9) |
| **Cash and cash equivalents at end of year** | | **86.9** | **123.6** | **9.4** | **(0.5)** |

# Notes to the financial statements

## Section 1: Basis of preparation

This section lays out the Group's accounting policies that relate to the financial statements as a whole. Where an accounting policy is specific to a particular note to the financial statements, the policy is described in the note to which it relates and has been clearly identified in a box.

### Basis of consolidation

The financial statements consolidate those of The Unite Group PLC (the Company) and its subsidiaries (together referred to as the Group) and include the Group's interests in jointly controlled entities. The parent company financial statements present information about the Company as a separate entity and not as a group.

Subsidiaries are those entities controlled by the Company. Control exists when the Company has an existing right that gives it the current ability to direct the relevant activities of the subsidiary, has exposure or right to variable returns from its involvement in the subsidiary and has the ability to use its power to affect its returns. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances and transactions, and any unrealised gains and losses arising from intra-group transactions, such as property disposals and management fees, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with joint ventures are eliminated to the extent of the Group's retained interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains except where the loss provides evidence of a reduction in the net realisable value of current assets or an impairment in the value of fixed assets.

Business combinations are addressed in note 6.

Both the parent company financial statements and the Group financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU (Adopted IFRS) and approved by the Directors. On publishing the parent company financial statements here together with the Group financial statements, the Company is taking advantage of the exemption in s408 of the Companies Act 2006 not to present its individual income statement and related notes.

The accounting policies have been applied consistently to all periods presented in these consolidated financial statements.

The Company is a public company limited by shares and is registered in England, United Kingdom, where it is also domiciled.

### Measurement convention

The financial statements are prepared on the historical cost basis except for investment property (owned), investment property (leased), investment property under development, investments in subsidiaries and interest rate swaps all of which are stated at their fair value.

### Going concern

In determining the appropriate basis of preparation of the financial statements, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future.

The Group's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic Report on pages 16 to 87. Section 4 of these Notes to the financial statements includes the Group's objectives, policies and processes for managing its capital, details of its borrowings and interest rate swaps, and in note 5.2 its exposure to credit risk. The Board has considered the risks that could arise as a result of potential outcomes of Britain leaving the European Union and have identified people risk, procurement risks and demand risks. These risks have been factored into our forecasts and projections.

The Group has prepared cash flow projections 18 months forward to June 2021 and the Group has sufficient headroom to meet all its commitments. The Group issued new ordinary shares in July 2019 generating gross proceeds of £259.6 million and this together with existing loan facilities will be sufficient to fund the Group's commitments over the next 18 months. The Group disposes of assets to release capital and maintains positive relationships with its lending banks and has historically secured new facilities before maturity dates and remained within its covenant levels. The Group is in full compliance with its covenants at 31 December 2019 and expects to remain so. Our debt facilities include loan-to-value, interest cover and asset class ratios, all of which have a high level of headroom. In order to manage future financial commitments the Group operates a formal approval process through its Investment Committee and Group Board to ensure that appropriate review is undertaken before any transactions are agreed.

Accordingly, after making enquiries and having considered forecasts and appropriate sensitivities, the Directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being at least 12 months from the date of these financial statements.

### Changes in accounting policies – IFRS 16

In the current year, the Group, for the first time, has applied IFRS 16 Leases. The date of the initial application of IFRS 16 for the Group is 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance leases, requiring the recognition of a right of use asset and a lease liability at commencement for all leases, except for short term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged.

Details of the Group's approach to transition to IFRS 16 is set out below, followed by a description of the impact of adopting IFRS 16.

### Approach to transition

The Group has applied IFRS 16 using the cumulative catch up approach, without restatement of the comparative information (which is presented under IAS 17 and IFRIC 14). In respect of those leases the Group previously treated as operating leases, the Group has elected to measure its right of use assets as if the lease commencement date was the date of adoption of IFRS 16 (i.e. 1 January 2019). The cumulative effect of initially applying IFRS 16 has been recognised as an adjustment to the opening balance of retained earnings as at 1 January 2019.

Applying IFRS 16 to sale and leaseback properties, the Group now recognises sale and leaseback right of use assets in the consolidated balance sheet (investment property (leased)), initially measured at fair value using a discounted cash flow model. Other leases previously treated as operating leases have been measured following the approach in IFRS 16.C8(b)(ii), whereby right of use assets are set equal to the lease liability, adjusted for prepaid or accrued lease payments.

IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. The Group continues to account for its tenancy contracts offered to commercial and individual tenants as operating leases.

### Practical expedients adopted

The Group has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 14 will continue to be applied to those leases entered into or modified before 1 January 2019.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has used this practical expedient. The Group has elected not to recognise right of use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.

### Financial impact

The application of IFRS 16 has resulted in the recognition of right of use assets and lease liabilities. Operating lease incentives previously recognised as liabilities have been derecognised and factored into the measurement of the right of use assets and lease liabilities.

The Group has chosen to use the table below to set out the adjustments recognised at the date of initial application of IFRS 16.

# Notes to the financial statements continued

## Section 1: Basis of preparation continued

### EPRA net assets on transition

| | Group on EPRA basis | | |
|---|---|---|---|
| | 31 Dec 2018 as reported £m | IFRS 16 adjustments £m | 1 Jan 2019 as restated £m |
| Investment property (owned) | 2,685.9 | – | 2,685.9 |
| Investment property (leased) | – | 128.0 | 128.0 |
| Investment property under development | 282.1 | – | 282.1 |
| **Total property portfolio** | **2,968.0** | **128.0** | **3,096.0** |
| Debt on properties | (1,036.4) | – | (1,036.4) |
| Lease liability | – | (115.8) | (115.8) |
| Cash | 179.9 | – | 179.9 |
| **Net debt** | **(856.5)** | **(115.8)** | **(972.3)** |
| Other assets/(liabilities) | (26.1) | (9.0) | (35.1) |
| **EPRA net assets** | **2,085.4** | **3.2** | **2,088.6** |

On 1 January 2019, £128.0 million was recognised on the balance sheet as the fair value of the sale and leaseback portfolio (classified as investment properties (leased)) and a lease liability of £115.8 million.

Other assets/(liabilities) increased by £9.0 million due to leasehold improvements with a carrying value of £6.7 million (£10.7 million cost and £4.0 million accumulated depreciation) being transferred from other non-current assets to investment properties (leased) and £2.3 million of prepayments being reclassified from receivables to the lease liability.

£4.3 million of right of use assets were recognised in relation to offices, vehicles and other equipment, with a corresponding lease liability of £4.3 million. Both of these balances are included within other assets/(liabilities) in the table above.

The net difference of £3.2 million has been recognised in retained earnings.

During the 12 months ended 31 December 2019 the Group recognised the following amounts in EPRA earnings:

### EPRA earnings at 31 December 2019

| | Reference | Group on see through basis Total £m | IFRS 16 adjustments £m | Group on see through basis Total £m |
|---|---|---|---|---|
| Rental income | | 213.9 | – | 213.9 |
| Property operating expenses | | (53.1) | – | (53.1) |
| **Net operating income** | | **160.8** | **–** | **160.8** |
| Management fees | | 14.4 | – | 14.4 |
| Operating expenses | 1 | (23.7) | 1.9 | (21.8) |
| Operating lease rentals | 2 | (11.0) | 11.0 | – |
| Lease liability interest | 3 | – | (9.2) | (9.2) |
| Net financing costs | | (34.7) | – | (34.7) |
| **Operations segment result** | | **105.8** | **3.7** | **109.5** |
| **Property segment result** | | **(1.5)** | **–** | **(1.5)** |
| **Unallocated to segments** | | **2.6** | **–** | **2.6** |
| **EPRA earnings** | | **106.9** | **3.7** | **110.6** |

1 Disclosed within cost of sales in the consolidated income statement, under IAS 17 and IFRS 16.

2 Disclosed within operating expenses in the consolidated income statement, under IAS 17.

3 Disclosed within finance costs in the consolidated income statement, under IFRS 16.

The application of IFRS 16 resulted in a decrease in operating expenses of £1.9 million and operating lease rentals of £11.0 million due to lease payments no longer being recognised in the P&L. An increased interest expense, in comparison to IAS 17, was recognised in respect of the interest on lease liabilities of £9.2 million.

### Impact on profit or loss

On an IFRS basis there has also been a reduction in net property valuation gains of £8.1 million, which relates to the downward revaluation of investment properties (leased) and an increase to loss on disposal of £0.4 million, following the cancellation of two sale and leaseback arrangements.

The following table shows the operating lease commitments relating to the sale and leaseback portfolio included in the IAS 17 disclosure at 31 December 2018, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the statement of financial position at the date of initial application.

| | £m |
|---|---|
| Operating lease commitments at 31 December 2018 | 214.4 |
| Effect of discounting the above amount | (96.3) |
| Reclassification of amounts classified as prepayments at 31 December 2018 | (2.3) |
| **Lease liabilities recognised at 1 January 2019** | **115.8** |

The Group's weighted average incremental borrowing rate applied to lease liabilities as at 1 January 2019 is 4.2%.

### 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 but not yet effective. The Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

### Other standards

The following new or amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements:

- IFRS 3 (amendments) 'Definition of a business'
- IFRS 9 (amendments)
- IFRS 10 and IAS 28 (amendments) 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'
- IFRS 14 'Regulatory Deferral Accounts'
- IFRS 17 'Insurance Contracts'
- IAS 1 and IAS 8 (amendments) 'Definition of material'
- IFRS Standards (amendments) 'References to Conceptual Framework in IFRS Standards'
- IFRS Standards (annual improvements)

# Notes to the financial statements continued

## Section 1: Basis of preparation continued

### Critical accounting estimates and judgements

The Group's significant accounting polices are stated in the relevant notes to the Group financial statements.

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.

#### Significant accounting judgements

The areas which involve a high degree of judgement or complexity in applying the accounting policies of the Group are explained in more detail in the accounting policy descriptions in the related notes to the financial statements.

The areas where accounting judgements have the most significant impact on the financial statements of the Group are as follows:

- valuation of investment property and investment property under development (note 3.1)
- classification of joint venture vehicles (note 3.4)

#### Estimation uncertainty

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these 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 area involving the most sensitive estimates and assumptions that are significant to the financial statements is set out below and in more detail in the related note:

- valuation of investment property and investment property under development (note 3.1)

## Section 2: Results for the year

This section focuses on the results and performance of the Group and provides a reconciliation between the primary statements and EPRA performance measures. On the following pages you will find disclosures explaining the Group's results for the year, segmental information, taxation, earnings and net asset value per share. The Group uses EPRA earnings and NAV movement as key comparable indicators across other real estate companies in Europe.

#### IFRS performance measures

| | Note | 2019 | 2018 |
|---|---|---|---|
| (Loss)/profit after tax | 2.2b | **£(89.2)m** | £235.7m |
| Basic (loss)/earnings per share | 2.2c | **(31.5)p** | 90.8p |
| Net assets | 2.3c | **£3,071.5m** | £2,073.0m |
| NAV per share | 2.3d | **845p** | 787p |

#### EPRA performance measures

| | Note | 2019 | 2018 |
|---|---|---|---|
| EPRA earnings | 2.2a | **£110.6m** | £88.4m |
| EPRA earnings per share | 2.2c | **39.1p** | 34.1p |
| EPRA NAV | 2.3a | **£3,109.7m** | £2,085.4m |
| EPRA NAV per share | 2.3d | **853p** | 790p |
| EPRA NNNAV | 2.3c | **£3,008.3m** | £2,032.7m |
| EPRA NNNAV per share | 2.3d | **826p** | 770p |

## 2.1 Segmental information

The Board of Directors monitors the business along two activity lines, Operations and Property. The reportable segments for the years ended 31 December 2019 and 31 December 2018 are Operations and Property.

The Group undertakes its Operations and Property activities directly and through joint ventures with third parties. The joint ventures are an integral part of each segment and are included in the information used by the Board to monitor the business.

Detailed analysis of the performance of each of these reportable segments is provided in the following sections 2.2 to 2.3. There has been no change to the reportable segments following the acquisition of Liberty Living.

The Group's properties are located exclusively in the United Kingdom. The Group therefore has one geographical segment.

## 2.2 Earnings

EPRA earnings amends IFRS measures by removing principally the unrealised investment property valuation gains and losses such that users of the financials are able to see the extent to which dividend payments (dividend per share) are underpinned by earnings arising from purely operational activity. The reconciliation between profit attributable to owners of the parent company and EPRA earnings is available in note 2.2b.

The Operations segment manages rental properties, owned directly by the Group or by joint ventures. Its revenues are derived from rental income and asset management fees earned from joint ventures. The way in which the Operations segment adds value to the business is set out in the Operations review on pages 55 to 61. The Operations segment is the main contributor to EPRA earnings and EPRA EPS and these are therefore the key indicators which are used by the Board to monitor the Operations business.

The Board does not manage or monitor the Operations segment through the balance sheet and therefore no segmental information for assets and liabilities is provided for the Operations segment.

### a) EPRA earnings

**2019**

| | | | Share of joint ventures | | Group on EPRA basis |
|---|---|---|---|---|---|
| | Unite £m | Liberty Living* £m | USAF £m | LSAV £m | Total £m |
| Rental income | 120.3 | 13.8 | 41.5 | 38.3 | 213.9 |
| Property operating expenses | (30.1) | (2.9) | (12.2) | (7.9) | (53.1) |
| **Net operating income** | 90.2 | 10.9 | 29.3 | 30.4 | 160.8 |
| Management fees | 21.0 | – | (3.4) | (3.2) | 14.4 |
| Operating expenses | (20.1) | (1.0) | (0.3) | (0.4) | (21.8) |
| Interest on lease liabilities** | (9.2) | – | – | – | (9.2) |
| Net financing costs | (16.3) | (2.4) | (6.7) | (9.3) | (34.7) |
| **Operations segment result** | 65.6 | 7.5 | 18.9 | 17.5 | 109.5 |
| **Property segment result** | (1.5) | – | – | – | (1.5) |
| **Unallocated to segments** | 8.7 | – | (0.2) | (5.9) | 2.6 |
| **EPRA earnings** | 72.8 | 7.5 | 18.7 | 11.6 | 110.6 |

* The 2019 results for Liberty Living represent the 33 day period post acquisition, being 29 November to 31 December 2019.

** The Group has applied IFRS 16 Leases in the current period, therefore the table above has been prepared on an IFRS 16 basis. Further details of the impact of adoption of IFRS 16 can be found in note 1.

Included in the above is rental income of £17.3 million and property operating expenses of £7.0 million relating to sale and leaseback properties.

The unallocated to segments balance includes the fair value of share-based payments of (£2.2 million), contributions to the Unite Foundation of (£1.0 million), fees received from USAF relating to acquisitions of £2.2 million, LSAV performance fee of £5.7 million, deferred tax charge of (£0.5 million) and current tax charge of (£0.4 million).

# Notes to the financial statements continued

## Section 2: Results for the year continued

### 2.2 Earnings continued

**a) EPRA earnings** continued

**2018**

| | Unite £m | Share of joint ventures USAF £m | Share of joint ventures LSAV £m | Group on EPRA basis Total £m |
|---|---|---|---|---|
| Rental income | 112.7 | 39.0 | 36.6 | 188.3 |
| Property operating expenses | (28.6) | (11.5) | (7.9) | (48.0) |
| **Net operating income** | **84.1** | **27.5** | **28.7** | **140.3** |
| Management fees | 21.8 | (3.2) | (3.0) | 15.6 |
| Operating expenses | (20.9) | (0.3) | (0.5) | (21.7) |
| Operating lease rentals* | (11.5) | – | – | (11.5) |
| Net financing costs | (13.4) | (6.2) | (8.9) | (28.5) |
| **Operations segment result** | **60.1** | **17.8** | **16.3** | **94.2** |
| **Property segment result** | **(1.1)** | **–** | **–** | **(1.1)** |
| **Unallocated to segments** | **(4.3)** | **(0.2)** | **(0.2)** | **(4.7)** |
| **EPRA earnings** | **54.7** | **17.6** | **16.1** | **88.4** |

* Operating lease rentals arise from properties which the Group has sold and is now leasing back. These properties were sold to generate financing and they now contribute to the Group's rental income and incur property operating expenses. Therefore, the Group considers these lease costs to be a form of financing.

Included in the above is rental income of £18.6 million and property operating expenses of £7.0 million relating to sale and leaseback properties.

The unallocated to segments balance includes the fair value of share-based payments of (£1.1 million), contributions to the Unite Foundation of (£0.9 million), deferred tax of £1.2 million and current tax charge of (£3.9 million).

### b) IFRS reconciliation to EPRA earnings

EPRA earnings excludes movements relating to changes in values of investment properties and interest rate swaps, profits from the disposal of properties and property impairments, which are included in the profit reported under IFRS. EPRA earnings reconcile to the profit attributable to owners of the parent company as follows:

| | Note | 2019 £m | 2018 £m |
|---|---|---|---|
| **EPRA earnings** | 2.2a | **110.6** | 88.4 |
| Net valuation gains on investment property (owned) | 3.1 | **154.8** | 105.8 |
| Property disposals (owned) | | **(6.2)** | (6.8) |
| Net valuation losses on investment property (leased) | 3.1 | **(8.1)** | – |
| Property disposals (leased) | | **(1.1)** | – |
| Impairment of goodwill and acquired intangible asset | 6 | **(384.1)** | – |
| Acquisition costs | 6 | **(22.8)** | – |
| Amortisation of fair value of debt recognised on acquisition | | **0.4** | – |
| Share of joint venture gains on investment property | 3.4b | **58.3** | 58.1 |
| Share of joint venture property disposals | 3.4b | **0.4** | (3.5) |
| Swap cancellation and loan break costs | 4.3 | **(2.7)** | (0.1) |
| Mark to market changes on interest rate swaps | 4.3 | **(2.7)** | – |
| Current tax relating to impairment of goodwill | | **0.5** | – |
| Deferred tax relating to properties | 2.5d | **14.3** | (5.5) |
| Minority interest share of reconciling items* | | **(0.8)** | (0.7) |
| **(Loss)/profit attributable to owners of the parent company** | | **(89.2)** | **235.7** |

* The minority interest share, or non-controlling interest, arises as a result of the Company not owning 100% of the share capital of one of its subsidiaries, USAF (Feeder) Guernsey Limited. More detail is provided in note 3.4.

### c) Earnings per share

The Basic EPS calculation is based on the earnings attributable to the equity shareholders of The Unite Group PLC and the weighted average number of shares which have been in issue during the year. Basic EPS is adjusted in line with EPRA guidelines in order to allow users to compare the business performance of the Group with other listed real estate companies in a consistent manner and to reflect how the business is managed and measured on a day to day basis.

The calculations of basic and EPRA EPS for the year ended 31 December 2019 and 2018 are as follows:

| | Note | 2019 | 2018 |
|---|---|---|---|
| **(Loss)/earnings (£m)** | | | |
| Basic | | **(89.2)** | 235.7 |
| Diluted | | **(89.2)** | 235.7 |
| EPRA | 2.2a | **110.6** | 88.4 |
| **Weighted average number of shares (thousands)** | | | |
| Basic | | **282,802** | 259,466 |
| Dilutive potential ordinary shares (share options) | | **1,156** | 828 |
| Diluted | | **283,958** | **260,294** |
| **(Loss)/earnings per share (pence)** | | | |
| Basic | | **(31.5)p** | 90.8p |
| Diluted | | **(31.4)p** | 90.6p |
| EPRA EPS | | **39.1p** | 34.1p |

Movements in the weighted average number of shares have resulted from the issue of shares arising from the employee share-based payment schemes and the equity raise.

In 2019, there were 15,545 (2018: 10,357) options excluded from the potential dilutive shares that did not affect the diluted weighted average number of shares.

# Notes to the financial statements continued

## Section 2: Results for the year continued

### 2.3 Net assets

EPRA net asset value per share makes adjustments to IFRS measures by principally removing some items that are not expected to materialise in normal circumstances such as items of deferred tax and the fair value of financial derivatives. The reconciliation between IFRS NAV and EPRA NAV is available in note 2.3c.

The Group's Property business undertakes the acquisition and development of properties. The way in which the Property segment adds value to the business is set out in the Property review on pages 62 to 67.

#### a) EPRA net assets

**2019**

| | | | Share of joint ventures | | Group on EPRA basis |
|---|---|---|---|---|---|
| | Unite £m | Liberty Living £m | USAF £m | LSAV £m | Total £m |
| Investment properties (owned) | **1,462.2** | **1,944.7** | **628.0** | **667.5** | **4,702.4** |
| Investment properties (leased) | **110.4** | **–** | **–** | **–** | **110.4** |
| Investment properties under development | **393.4** | **18.4** | **–** | **–** | **411.8** |
| **Total property portfolio** | **1,966.0** | **1,963.1** | **628.0** | **667.5** | **5,224.6** |
| Debt on properties | **(675.5)** | **(861.7)** | **(194.4)** | **(267.6)** | **(1,999.2)** |
| Lease liabilities | **(98.9)** | **–** | **–** | **–** | **(98.9)** |
| Cash | **67.6** | **19.3** | **5.2** | **22.8** | **114.9** |
| **Net debt** | **(706.8)** | **(842.4)** | **(189.2)** | **(244.8)** | **(1,983.2)** |
| Other assets and (liabilities) | **(62.5)** | **(56.8)** | **(1.5)** | **(10.9)** | **(131.7)** |
| **EPRA net assets** | **1,196.7** | **1,063.9** | **437.3** | **411.8** | **3,109.7** |
| **Loan to value*** | **33%** | **43%** | **30%** | **37%** | **37%** |
| **Loan to value post-IFRS 16** | **36%** | **43%** | **30%** | **37%** | **38%** |

* LTV calculated excluding investment properties (leased) and the corresponding lease liabilities.

**2018**

| | | Share of joint ventures | | Group on EPRA basis |
|---|---|---|---|---|
| | Unite £m | USAF £m | LSAV £m | Total £m |
| Investment properties | 1,497.1 | 567.1 | 621.7 | 2,685.9 |
| Investment properties under development | 278.9 | 3.2 | – | 282.1 |
| **Total property portfolio** | **1,776.0** | **570.3** | **621.7** | **2,968.0** |
| Debt on properties | (594.8) | (174.6) | (267.0) | (1,036.4) |
| Cash | 123.6 | 32.4 | 23.9 | 179.9 |
| **Net debt** | **(471.2)** | **(142.2)** | **(243.1)** | **(856.5)** |
| Other assets and (liabilities) | (13.3) | (4.9) | (7.9) | (26.1) |
| **EPRA net assets** | **1,291.5** | **423.2** | **370.7** | **2,085.4** |
| **Loan to value** | **27%** | **25%** | **39%** | **29%** |

## b) Movement in EPRA NAV during the year

Contributions to EPRA NAV by each segment during the year is as follows:

**2019**

| | Unite £m | Liberty Living £m | Share of joint ventures USAF £m | Share of joint ventures LSAV £m | Group on EPRA basis Total £m |
|---|---|---|---|---|---|
| **Operations** | | | | | |
| Operations segment result | 65.6 | 7.5 | 18.9 | 17.5 | 109.5 |
| **Property** | | | | | |
| Rental growth | 43.6 | 10.6 | 11.7 | 24.6 | 90.5 |
| Yield movement | 20.4 | – | 2.3 | 18.3 | 41.0 |
| Disposal (losses)/gains | (5.5) | – | 0.2 | – | (5.3) |
| Investment property (owned) gains | 58.5 | 10.6 | 14.2 | 42.9 | 126.2 |
| Investment property (leased) losses | (8.1) | – | – | – | (8.1) |
| Disposal losses investment property (leased) | (1.1) | – | – | – | (1.1) |
| Development property gains | 80.2 | – | – | – | 80.2 |
| Pre-contract/other development costs | (1.5) | – | – | – | (1.5) |
| Total property | 128.0 | 10.6 | 14.2 | 42.9 | 195.7 |
| **Unallocated** | | | | | |
| Shares issued | 254.3 | – | – | – | 254.3 |
| Investment in joint ventures | 31.7 | – | (18.2) | (13.5) | – |
| Acquisition of Liberty Living | (514.8) | 1,045.8 | – | – | 531.0 |
| Dividends paid | (70.7) | – | – | – | (70.7) |
| LSAV performance fee | 11.4 | – | – | (5.7) | 5.7 |
| Joint venture property acquisition fee | 2.8 | – | (0.6) | – | 2.2 |
| Swap cancellation and debt break costs | (2.7) | – | – | – | (2.7) |
| Other | (3.6) | – | (0.2) | (0.1) | (3.9) |
| Total unallocated | (291.6) | 1,045.8 | (19.0) | (19.3) | 715.9 |
| **Total EPRA NAV movement in the year** | (98.0) | 1,063.9 | 14.1 | 41.1 | 1,021.1 |
| Total EPRA NAV brought forward as reported | 1,291.5 | – | 423.2 | 370.7 | 2,085.4 |
| IFRS 16 transition | 3.2 | – | – | – | 3.2 |
| Total EPRA NAV brought forward revised | 1,294.7 | – | 423.2 | 370.7 | 2,088.6 |
| **Total EPRA NAV carried forward** | 1,196.7 | 1,063.9 | 437.3 | 411.8 | 3,109.7 |

The £514.8 million acquisition of Liberty Living balance includes cash consideration of £492.0 million and acquisition costs of £22.8 million. The £1,045.8 million balance represents the fair value of the net assets that were acquired (further details can be found in note 6).

The £3.9 million other balance within the unallocated segment includes a tax charge of £0.7 million, fair value of share-based payments charge of £2.2 million and £1.0 million for contributions to the Unite Foundation.

# Notes to the financial statements continued

## Section 2: Results for the year continued

### 2.3 Net assets continued

**b) Movement in EPRA NAV during the year** continued

**2018**

| | Unite £m | Share of joint ventures USAF £m | Share of joint ventures LSAV £m | Group on EPRA basis Total £m |
|---|---|---|---|---|
| **Operations** | | | | |
| Operations segment result | **60.1** | **17.8** | **16.3** | **94.2** |
| **Property** | | | | |
| Rental growth | 38.8 | 6.4 | 19.8 | 65.0 |
| Yield movement | 37.4 | 7.9 | 22.3 | 67.6 |
| Disposal and acquisition (losses)/gains | (6.8) | (3.4) | 0.1 | (10.1) |
| Investment property gains | 69.4 | 10.9 | 42.2 | 122.5 |
| Development property gains | 29.6 | 0.8 | – | 30.4 |
| Pre-contract/other development costs | (1.1) | – | – | (1.1) |
| Total property | **97.9** | **11.7** | **42.2** | **151.8** |
| **Unallocated** | | | | |
| Shares issued | 166.7 | – | – | 166.7 |
| Investment in joint ventures | 63.4 | (5.3) | (58.1) | – |
| Dividends paid | (62.5) | – | – | (62.5) |
| Swap cancellation and debt break costs | (0.1) | – | – | (0.1) |
| Other | (4.7) | (0.2) | (0.2) | (5.1) |
| Total unallocated | **162.8** | **(5.5)** | **(58.3)** | **99.0** |
| **Total EPRA NAV movement in the year** | **320.8** | **24.0** | **0.2** | **345.0** |
| Total EPRA NAV brought forward | 970.7 | 399.2 | 370.5 | 1,740.4 |
| **Total EPRA NAV carried forward** | **1,291.5** | **423.2** | **370.7** | **2,085.4** |

The £5.1 million other balance within the unallocated segment includes a tax charge of £2.7 million, fair value of share-based payments charge of £1.1 million, purchase of own shares of £0.4 million and £0.9 million for contributions to the Unite Foundation.

## c) Reconciliation to IFRS

To determine EPRA NAV, net assets reported under IFRS are amended to exclude the mark to market valuation of swaps, deferred tax liabilities and to recognise all properties at market value.

The Group also manages NAV using EPRA NNNAV, which adjusts EPRA NAV to include the fair value of swaps and debt. Under EPRA best practice guidelines this is considered to give stakeholders the most relevant comparable information on the current fair value of all the assets and liabilities in the Group.

The net assets reported under IFRS reconcile to EPRA NAV and EPRA NNNAV as follows:

| | Note | 2019 £m | 2018 £m |
|---|---|---|---|
| **Net asset value reported under IFRS** | | **3,071.5** | **2,073.0** |
| Mark to market interest rate swaps | | **8.3** | 0.2 |
| Unamortised swap gain | | **(2.1)** | (2.3) |
| Unamortised fair value of debt recognised on acquisition | | **32.4** | – |
| Current tax | | **(0.4)** | – |
| Deferred tax | | **–** | 14.5 |
| **EPRA NAV** | 2.3a | **3,109.7** | **2,085.4** |
| Mark to market of fixed rate debt | | **(93.5)** | (38.0) |
| Mark to market interest rate swaps | | **(8.3)** | (0.2) |
| Current tax | | **0.4** | – |
| Deferred tax | | **–** | (14.5) |
| **EPRA NNNAV** | | **3,008.3** | **2,032.7** |

## d) NAV per share

Basic NAV is based on the net assets attributable to the equity shareholders of The Unite Group PLC and the number of shares in issue at the end of the year. The Board uses EPRA NAV and EPRA NNNAV to monitor the performance of the Property segment on a day to day basis.

| | Note | 2019 | 2018 |
|---|---|---|---|
| **Net assets (£m)** | | | |
| Basic | 2.3c | **3,071.5** | 2,073.0 |
| EPRA | 2.3a | **3,109.7** | 2,085.4 |
| EPRA diluted | | **3,114.0** | 2,088.7 |
| EPRA NNNAV (diluted) | | **3,012.6** | 2,036.0 |
| **Number of shares (thousands)** | | | |
| Basic | | **363,618** | 263,541 |
| Outstanding share options | | **1,309** | 917 |
| Diluted | | **364,927** | **264,458** |
| **Net asset value per share (pence)** | | | |
| Basic | | **845p** | 787p |
| EPRA | | **855p** | 791p |
| **EPRA (fully diluted)** | | **853p** | **790p** |
| **EPRA NNNAV (fully diluted)** | | **826p** | **770p** |

# Notes to the financial statements continued

## Section 2: Results for the year continued

### 2.4 Revenue and costs

**Accounting policies**

The Group recognises revenue from the following major sources:

- Rental income
- Management and performance fees
- Acquisition fees

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of its service to a customer.

**Rental income**

Rental income comprises direct lets to students and leases to Universities and commercial tenants. This revenue is recognised in the income statement over the length of the tenancy period as the Group provides the services to its customers. Included in the rental contract is the use of broadband facilities and room cleaning services. The Group does not offer these services as stand-alone products. Under IFRS 15 the Group does not consider these services to be individually material and has, consequently, bundled these obligations as a single contract. The transaction prices for rental income are explicitly stated in each contract. A contract liability can result from payments received in advance, until the date at which control is transferred to the customer and at that point the revenue begins to be recognised over the tenancy period. Lease incentives are sometimes recognised on commercial units; these are recognised as an integral part of the total rental income and spread over the term of the lease.

**Management and performance fees**

The Group acts as asset and property manager for USAF and LSAV and receives management fees in relation to these services. Revenue from these fees is recognised over time as the joint ventures simultaneously receive and consume benefits as the Group performs its management obligations. Detailed calculations in order to determine the transaction prices for these revenue streams are held within the joint venture agreements.

The Group is entitled to a USAF performance fee if the joint venture outperforms certain benchmarks. The Group recognises a USAF performance fee at a point in time in the year to which the fee relates. The Group initially assesses the probability of a fee being earned and its transaction price at half year and adjusts for any potential risks to receiving this income at year end, when the achieved outturn is known. The USAF performance fee is settled within 12 months of the year to which the fee relates and the Group receives an enhanced equity interest in USAF as consideration for the performance fee.

The Group is entitled to a LSAV performance fee if the joint venture outperforms certain benchmarks over its life ending in 2022. The Group recognises a LSAV performance fee at an amount which is considered 'highly probable' to become due based upon estimates of the future performance of the joint venture; such estimates include future rental income and the discount rate (yield). Prior to the maturity of the joint venture, the Group pro-rates the total LSAV performance fee for the remaining life of the joint venture; at 31 December 2019, this was 70% based upon seven years of the joint venture's life. The amount which is considered 'highly probable' to become due is reassessed annually with reference to the latest performance of the joint venture and forecasts. The LSAV performance fee is settled at the end of the life of the joint venture in cash.

As per IFRS 15, the estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of revenue recognised will not occur when the uncertainty associated with the variable consideration is resolved. As the performance fee is variable and dependent on meeting specific performance targets it is not reasonably possible to determine the future contractual income relating to this revenue.

**Acquisition fees**

The Group receives acquisition fees from its joint venture partners. This revenue is linked to the acquisition of land or property and is therefore recognised at the point in time that control of the asset is transferred to the joint venture. The transaction price for this revenue stream is stipulated in the joint venture agreement as a percentage of the value of the acquisition.

The Group earns revenue from the following activities:

| | | Note | 2019 £m | 2018 £m |
|---|---|---|---|---|
| Rental income* | Operations segment | 2.2a | **134.1** | 112.7 |
| Management fees | Operations segment | 2.2a | **14.4** | 15.8 |
| LSAV performance fee | Unallocated | | **5.7** | – |
| USAF acquisition fee | Unallocated | | **2.2** | – |
| | | | **156.4** | **128.5** |
| Impact of minority interest on management fees | | | **(0.2)** | (0.2) |
| **Total revenue** | | | **156.2** | **128.3** |

* EPRA earnings includes £213.9 million of rental income, which is comprised of £134.1 million recognised on wholly owned assets and a further £79.8 million from joint ventures which is included in share of joint venture profit in the consolidated income statement.

The cost of sales included in the consolidated income statement includes property operating expenses of £33.0 million (2018: £28.7 million).

## 2.5 Tax

As a REIT, rental profits and gains on disposal of investment properties are exempt from corporation tax. The Group pays UK corporation tax on the profits from its residual business, including profits arising on construction operations and management fees received from joint ventures, together with UK income tax on rental income that arises from investments held by offshore subsidiaries in which the Group holds a minority interest.

**Accounting policies**

The tax charge for the year is recognised in the income statement and the statement of comprehensive income, according to the accounting treatment of the related transaction. The tax charge comprises both current and deferred tax.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable in respect of previous years. The current tax charge is based on tax rates that are enacted or substantively enacted at the year end.

Deferred tax arises due to certain temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and those for taxation purposes. Temporary differences relating to investments in subsidiaries and joint ventures are not provided for to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities.

As a REIT, rental profits and gains on disposal of investment properties are exempt from corporation tax. As a result, no deferred tax provision has been recognised at the balance sheet date in respect of property assets (revaluation and capital allowances).

The Finance Act 2019 contains provisions that exempt gains arising in accounting periods beginning on or after 6 April 2019 on the disposal by a REIT of shares and other similar interests in entities that derive at least 75% of their value from land situated in the UK. These provisions exempt the Group's holdings in unit trusts from the charge to corporation tax. As a result, the Group has reversed the deferred tax liability historically recognised in respect of these investments, resulting in a credit to the income statement. The deferred tax asset in respect of losses has also been reversed, to the extent that it was recognised against the liability on these investments.

# Notes to the financial statements continued

## Section 2: Results for the year continued

### 2.5 Tax continued

#### a) Tax – income statement

The total taxation (credit)/charge in the income statement is analysed as follows:

| | 2019 £m | 2018 £m |
|---|---|---|
| Corporation tax on residual business income arising in UK companies | **2.1** | 3.5 |
| Income tax on UK rental income arising in non-UK companies | **0.4** | 0.4 |
| Adjustments in respect of prior periods | **(2.4)** | 0.2 |
| **Current tax charge** | **0.1** | **4.1** |
| Origination and reversal of temporary differences | **(13.9)** | 4.5 |
| Adjustments in respect of prior periods | **0.2** | (0.1) |
| **Deferred tax (credit)/charge** | **(13.7)** | **4.4** |
| Total tax (credit)/charge in income statement | **(13.6)** | **8.5** |

The movement in deferred tax provided is shown in more detail in note 2.5d.

In the income statement, a tax credit of £13.6 million arises on a loss before tax of £101.2 million. The taxation credit that would arise at the standard rate of UK corporation tax is reconciled to the actual tax credit as follows:

| | 2019 £m | 2018 £m |
|---|---|---|
| **(Loss)/profit before tax** | **(101.2)** | **245.8** |
| Income tax using the UK corporation tax rate of 19% (2018: 19%) | **(19.2)** | 46.7 |
| Property rental business profits exempt from tax in the REIT Group | **(15.2)** | (13.5) |
| Release of deferred tax liability due to legislative change | **(13.6)** | – |
| Non-taxable items relating to the acquisition of Liberty Living | **76.7** | – |
| Property revaluations not subject to tax | **(40.5)** | (24.9) |
| Effect of statutory tax reliefs | **0.1** | (0.2) |
| Effect of tax deduction transferred to equity on share schemes | **0.2** | 0.3 |
| Rate difference on deferred tax | **0.1** | – |
| Prior year adjustments | **(2.2)** | 0.1 |
| **Total tax (credit)/charge in income statement** | **(13.6)** | **8.5** |

As a UK REIT, the Group is exempt from UK corporation tax on the profits from its property rental business. Accordingly, the element of the Group's profit before tax relating to its property rental business has been separately identified in the reconciliation above.

Following the enactment of the Finance Act 2019 the Group has reversed the deferred tax liability historically recognised in respect of its investments in unit trusts, resulting in a credit to the income statement. The deferred tax asset in respect of losses has also been reversed, to the extent that it was recognised against the liability on these investments.

Deferred tax is an accounting adjustment intended to reflect tax that the Group may have to pay in the future if certain events occur, and is distinct from the Group's current tax charge (the latter being the tax actually payable to HM Revenue & Customs for the year). Accordingly, a reversal of the deferred tax provision is an accounting only adjustment, and does not result in the Group receiving a tax credit or refund.

Although the Group does not pay UK corporation tax on the profits from its property rental business, it is required to distribute 90% of the profits from its property rental business after accounting for tax adjustments as a Property Income Distribution (PID). PIDs are charged to tax in the same way as property income in the hands of the recipient. For the year ended 31 December 2019, the required PID is expected to be fully paid by May 2020.

### b) Tax – other comprehensive income

Within other comprehensive income a tax charge totalling £nil (2018: £nil) has been recognised representing deferred tax.

### c) Tax – statement of changes in equity

Within the statement of changes in equity a tax credit totalling £1.0 million (2018: £0.1 million credit) has been recognised representing deferred tax. An analysis of this is included below in the deferred tax movement table.

### d) Tax – balance sheet

The table below outlines the deferred tax (assets)/liabilities that are recognised in the balance sheet, together with their movements in the year:

**2019**

| | At 31 December 2018 £m | Charged/(credited) in income £m | Charged/(credited) in equity £m | At 31 December 2019 £m |
|---|---|---|---|---|
| Investments | 24.4 | (24.4) | – | – |
| Property, plant and machinery | (0.7) | 0.1 | (0.3) | **(0.9)** |
| Share schemes | (0.6) | (0.1) | (0.6) | **(1.3)** |
| Tax value of carried forward losses recognised | (11.2) | 10.7 | (0.2) | **(0.7)** |
| **Net tax (assets)/liabilities** | **11.9** | **(13.7)*** | **(1.1)** | **(2.9)** |

* The (£13.7 million) balance above includes two tax movements (Property, plant and machinery and Share schemes) which are included in EPRA, which is why they are not included in the IFRS reconciliation in note 2.2b); removing them results in achieving the £14.3 million movement which is excluded as per EPRA's best practice recommendations.

**2018**

| | At 31 December 2017 £m | Charged/(credited) in income £m | Charged/(credited) in equity £m | At 31 December 2018 £m |
|---|---|---|---|---|
| Investments | 20.6 | 3.8 | – | 24.4 |
| Property, plant and machinery | (0.8) | 0.1 | – | (0.7) |
| Share schemes | (0.9) | 0.1 | 0.2 | (0.6) |
| Tax value of carried forward losses recognised | (11.3) | 0.4 | (0.3) | (11.2) |
| **Net tax (assets)/liabilities** | **7.6** | **4.4*** | **(0.1)** | **11.9** |

* The £4.4 million balance above includes two tax movements (Property, plant and machinery and Share schemes) which are included in EPRA, which is why they are not included in the IFRS reconciliation in note 2.2 b); removing them results in achieving the £5.5 million movement which is excluded as per EPRA's best practice recommendations.

Currently, the UK corporation tax rate is due to fall from 19% to 17% with effect from 1 April 2020. This will reduce the Group's future current tax charge accordingly. The deferred tax liability at 31 December 2019 has been calculated based on the rate at which it is expected to reverse.

As a REIT, disposals of investment property are exempt from tax and as a result no deferred tax liability has been recognised in relation to these assets.

The unit trusts in which the Group invests derive their value from UK land. The Finance Act 2019 contains provisions that exempt capital gains on such units from the charge to UK tax to the extent they derive their value from UK property. As a result, the Group reversed the deferred tax liability recognised in respect of these investments during 2019 resulting in a credit to the income statement. The deferred tax asset in respect of losses has also been reversed, to the extent that it was recognised against the liability on investments.

### Company

Deferred tax has not been recognised on temporary differences of £126.3 million (2018: £191.0 million) in respect of revaluation of subsidiaries and investment in joint ventures as it is considered unlikely that these investments will be divested.

# Notes to the financial statements continued

## Section 2: Results for the year continued

### 2.6 Audit fees

During the year, the Group obtained the following services from the Company's auditor and its associates:

| | 2019 £m | 2018 £m |
|---|---|---|
| Fees payable to the Group's auditors for the audit of the parent company and consolidated financial statements | **0.4** | 0.2 |
| Fees payable to the Group's auditors for other services to the Group: | | |
| – Audit of the financial statements of subsidiaries | **0.1** | 0.1 |
| **Total audit fees payable to the Group's auditors** | **0.5** | **0.3** |
| Audit-related assurance services | **0.1** | 0.1 |
| Corporate finance services | **1.9** | 0.1 |
| Other services | **–** | 0.1 |
| **Total non-audit fees** | **2.0** | **0.3** |

Non-audit fees almost entirely relate to Reporting Accountant services provided in respect of the acquisition of Liberty Living. Further details are set out in the Audit Committee report on page 110.

Details on the Company's policy on the use of the auditor for non-audit services is also set out in the Audit Committee Report on pages 110 to 115.

No services were provided pursuant to contingent fee arrangements.

## Section 3: Asset management

The Group holds its property portfolio directly and through its joint ventures. The performance of the property portfolio, whether wholly owned or in joint ventures, is the key factor that drives net asset value (NAV), one of the Group's key performance indicators. The following pages provide disclosures about the Group's investments in property assets and joint ventures and their performance over the year.

### 3.1 Wholly owned property assets

The Group's wholly owned property portfolio is held in three groups on the balance sheet at the carrying values detailed below.

In the Group's EPRA NAV, all these groups are shown at market value.

#### i) Investment property (owned)

These are assets that the Group intends to hold for a long period to earn rental income or capital appreciation. The assets are held at fair value in the balance sheet with changes in fair value taken to the income statement.

#### ii) Investment property (leased)

These are assets the Group sold to institutional investors and simultaneously leased back. The assets are held at fair value in the balance sheet with changes in fair value taken to the income statement.

#### iii) Investment property under development

These are assets which are currently in the course of construction and which will be transferred to Investment property on completion. The assets are held at fair value in the balance sheet with changes in fair value taken to the income statement.

**Accounting policies**

**Investment property (owned) and investment property under development**

Investment property (owned) and investment property under development are held at fair value.

The external valuation of property assets involves significant judgement and changes to the core assumptions: market conditions, rental income, occupancy and property management costs, could have a significant impact on the carrying value of these assets. Further details of the valuation process are included below.

Borrowing costs are capitalised if they are directly attributable to the acquisition and construction of a property asset. Capitalisation of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalisation of borrowing costs continues until the assets are substantially ready for their intended use but stops if development activities are suspended. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognised. The capitalisation rate is arrived at by reference to the actual rate payable on borrowings for development purposes or, with regard to that part of the development cost financed out of general borrowings, to the average rate. During the year the average capitalisation rate used was 5.8% (2018: 5.4%).

The recognition of acquisitions of investment property and land occurs on unconditional exchange of contracts, as this is the date when control passes to Unite. The recognition of disposals of investment property occurs on legal completion. In accordance with IFRS 15, revenue from the disposal of investment and other property is recognised at a point in time.

**Investment property (leased)**

The Group has applied IFRS 16 in 2019 using the cumulative catch-up approach and therefore comparative information has not been restated and is presented under IAS 17. The details of accounting policies under both IFRS 16 and IAS 17 are presented separately below.

*Policy applicable from 1 January 2019*

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability (see note 4.6a) with respect to all lease arrangements in which it is the lessee. The assets are held at fair value in the balance sheet with changes in fair value taken to the income statement.

*Policy applicable before 1 January 2019*

Properties held under operating leases are not included in assets, but the future payments due in respect of these properties are disclosed in note 4.6a.

### Valuation process

The valuations of the properties are performed twice a year on the basis of valuation reports prepared by external, independent valuers, having an appropriate recognised professional qualification. The fair values are based on market values as defined in the RICS Appraisal and Valuation Manual, issued by the Royal Institution of Chartered Surveyors. CB Richard Ellis Ltd, Jones Lang LaSalle Ltd and Messrs Knight Frank, Chartered Surveyors were the valuers in the years ended 31 December 2019 and 2018.

The valuations are based on:

- Information provided by the Group such as current rents, occupancy, operating costs, terms and conditions of leases and nomination agreements, capital expenditure, etc. This information is derived from the Group's financial systems and is subject to the Group's overall control environment.
- Assumptions and valuation models used by the valuers – the assumptions are typically market related, such as yield and discount rates. These are based on their professional judgement and market observation.

The information provided to the valuers – and the assumptions and the valuation models used by the valuers – are reviewed by the Property Board and the CFO. This includes a review of the fair value movements over the year.

The fair value of the Group's wholly owned properties and the movements in the carrying value of the Group's wholly owned property portfolio during the year ended 31 December 2019 are shown in the table below.

# Notes to the financial statements continued

## Section 3: Asset management continued

### 3.1 Wholly owned property assets continued

The movements in the carrying value of the Group's wholly owned property portfolio during the year ended 31 December 2019 are shown in the table below. The fair value of the Group's wholly owned properties at the year ended 31 December 2019 is also shown below.

**2019**

| | Investment property (owned) £m | Investment property (leased) £m | Investment property under development £m | Total £m |
|---|---|---|---|---|
| At 1 January 2019 | 1,497.1 | – | 278.9 | 1,776.0 |
| IFRS 16 transition (note 1) | – | 128.0 | – | 128.0 |
| Acquired through business combination (note 6) | 1,933.7 | – | 18.4 | 1,952.1 |
| Cost capitalised | 6.5 | 6.3 | 208.2 | 221.0 |
| Interest capitalised | – | – | 9.1 | 9.1 |
| Transfer from investment property under development | 189.8 | – | (189.8) | – |
| Transfer from work in progress | – | – | 6.8 | 6.8 |
| Disposals | (294.8) | (15.8) | – | (310.6) |
| Valuation gains | 88.1 | – | 86.1 | 174.2 |
| Valuation losses | (13.5) | (8.1) | (5.9) | (27.5) |
| Net valuation gains | 74.6 | (8.1) | 80.2 | 146.7 |
| **Carrying and market value at 31 December 2019** | **3,406.9** | **110.4** | **411.8** | **3,929.1** |

The movements in the carrying value of the Group's wholly owned property portfolio during the year ended 31 December 2018 are shown in the table below. The fair value of the Group's wholly owned properties at the year ended 31 December 2018 is also shown below.

**2018**

| | Investment property £m | Investment property under development £m | Total £m |
|---|---|---|---|
| At 1 January 2018 | 1,261.4 | 205.7 | 1,467.1 |
| Cost capitalised | 10.5 | 230.7 | 241.2 |
| Interest capitalised | – | 10.5 | 10.5 |
| Transfer from investment property under development | 204.5 | (204.5) | – |
| Transfer from work in progress | – | 0.9 | 0.9 |
| Disposals | (49.5) | – | (49.5) |
| Valuation gains | 75.6 | 47.4 | 123.0 |
| Valuation losses | (5.4) | (11.8) | (17.2) |
| Net valuation gains | 70.2 | 35.6 | 105.8 |
| **Carrying and market value at 31 December 2018** | **1,497.1** | **278.9** | **1,776.0** |

Included within investment properties at 31 December 2019 are £31.3 million (2018: £29.9 million) of assets held under a long leasehold and £0.1 million (2018: £0.1 million) of assets held under short leasehold.

Total interest capitalised in investment properties (owned) and investment properties under development at 31 December 2019 was £47.6 million (2018: £49.8 million) on a cumulative basis. Total internal costs capitalised in investment properties (owned) and investment properties under development was £63.4 million at 31 December 2019 (2018: £59.6 million) on a cumulative basis.

### Recurring fair value measurement

All investment and development properties are classified as Level 3 in the fair value hierarchy.

| Class of asset | 2019 £m | 2018 £m |
|---|---|---|
| London – rental properties | **1,015.0** | 499.8 |
| Prime provincial – rental properties | **876.5** | 298.3 |
| Major provincial – rental properties | **1,198.1** | 409.4 |
| Other provincial – rental properties | **317.3** | 289.6 |
| London – development properties | **245.1** | 49.1 |
| Prime provincial – development properties | **76.1** | 125.4 |
| Major provincial – development properties | **90.6** | 104.4 |
| **Investment property (owned)** | **3,818.7** | **1,776.0** |
| **Investment property (leased)** | **110.4** | **–** |
| **Market value** | **3,929.1** | **1,776.0** |

The valuation technique for investment properties is a discounted cash flow using the following inputs: net rental income, estimated future costs, occupancy and property management costs.

Where the asset is leased to a University, the valuations also reflect the length of the lease, the allocation of maintenance and insurance responsibilities between the Group and the lessee, and the market's general perception of the lessee's creditworthiness.

The resulting valuations are cross-checked against the initial yields and the capital value per bed derived from actual market transactions.

For development properties, the fair value is usually calculated by estimating the fair value of the completed property (using the discounted cash flow method) less estimated costs to completion.

### Fair value using unobservable inputs (Level 3)

| | 2019 £m | 2018 £m |
|---|---|---|
| Opening fair value | **1,776.0** | 1,467.1 |
| IFRS 16 transition* | **128.0** | – |
| Acquired through business combination (note 6) | **1,952.1** | – |
| Gains and losses recognised in income statement | **146.7** | 105.8 |
| Capital expenditure | **236.9** | 252.6 |
| Disposals | **(310.6)** | (49.5) |
| **Closing fair value** | **3,929.1** | **1,776.0** |

* Read more about the impact of transitioning to IFRS 16 on page 176.

# Notes to the financial statements continued

## Section 3: Asset management continued

### 3.1 Wholly owned property assets continued

**Quantitative information about fair value measurements using unobservable inputs (Level 3)**

**2019**

| | Fair value £m | Valuation technique | Unobservable inputs | Range | Weighted average |
|---|---|---|---|---|---|
| London – rental properties | **1,015.0** | Discounted cash flows | Net rental income (£ per week)<br>Estimated future rent (%)<br>Discount rate (yield) (%) | £192 – £367<br>3% – 5%<br>3.9% – 5.0% | £277<br>4%<br>4.0% |
| Prime provincial – rental properties | **876.5** | Discounted cash flows | Net rental income (£ per week)<br>Estimated future rent (%)<br>Discount rate (yield) (%) | £137 – £212<br>2% – 5%<br>4.5% – 6.0% | £163<br>3%<br>5.0% |
| Major provincial – rental properties | **1,198.1** | Discounted cash flows | Net rental income (£ per week)<br>Estimated future rent (%)<br>Discount rate (yield) (%) | £74 – £157<br>2% – 5%<br>4.8% – 6.1% | £129<br>3%<br>5.7% |
| Other provincial – rental properties | **317.3** | Discounted cash flows | Net rental income (£ per week)<br>Estimated future rent (%)<br>Discount rate (yield) (%) | £107 – £181<br>1% – 4%<br>5.0% – 15.5% | £138<br>3%<br>6.6% |
| London – development properties | **245.1** | Discounted cash flows | Estimated cost to complete (£m)<br>Estimated future rent (%)<br>Discount rate (yield) (%) | £30.8m – £91.4m<br>3%<br>4.0% | £65.6m<br>3%<br>4.0% |
| Prime provincial – development properties | **76.1** | Discounted cash flows | Estimated cost to complete (£m)<br>Estimated future rent (%)<br>Discount rate (yield) (%) | £16.8m – £76.4m<br>3%<br>4.8% – 5.0% | £43.2m<br>3%<br>4.9% |
| Major provincial – development properties | **90.6** | Discounted cash flows | Estimated cost to complete (£m)<br>Estimated future rent (%)<br>Discount rate (yield) (%) | £35.1m – £46.8m<br>3%<br>4.5% | £39.6m<br>3%<br>4.5% |
| | **3,818.7** | | | | |
| Investment property (leased) | **110.4** | Discounted cash flows | Net rental income (£ per week)<br>Estimated future rent (%)<br>Discount rate (yield) (%) | £121 – £167<br>3%<br>6.8% | |
| **Fair value at 31 December 2019** | **3,929.1** | | | | |

**2018**

| | Fair value £m | Valuation technique | Unobservable inputs | Range | Weighted average |
|---|---|---|---|---|---|
| London – rental properties | 499.8 | Discounted cash flows | Net rental income (£ per week)<br>Estimated future rent (%)<br>Discount rate (yield) (%) | £184 – £355<br>2% – 7%<br>4.0% – 5.0% | £267<br>3%<br>4.2% |
| Prime provincial – rental properties | 298.3 | Discounted cash flows | Net rental income (£ per week)<br>Estimated future rent (%)<br>Discount rate (yield) (%) | £139 – £166<br>2% – 6%<br>4.5% – 6.0% | £153<br>3%<br>5.1% |
| Major provincial – rental properties | 409.4 | Discounted cash flows | Net rental income (£ per week)<br>Estimated future rent (%)<br>Discount rate (yield) (%) | £99 – £149<br>1% – 5%<br>4.8% – 6.1% | £135<br>2%<br>5.6% |
| Other provincial – rental properties | 289.6 | Discounted cash flows | Net rental income (£ per week)<br>Estimated future rent (%)<br>Discount rate (yield) (%) | £100 – £174<br>2% – 7%<br>4.9% – 15.0% | £138<br>4%<br>5.8% |
| London – development properties | 49.1 | Discounted cash flows | Estimated cost to complete (£m)<br>Estimated future rent (%)<br>Discount rate (yield) (%) | £63.3m – £186.3m<br>3%<br>4.3% | £135.4m<br>3%<br>4.3% |
| Prime provincial – development properties | 125.4 | Discounted cash flows | Estimated cost to complete (£m)<br>Estimated future rent (%)<br>Discount rate (yield) (%) | £15m – £77.1m<br>3%<br>4.5% – 5.3% | £37.7m<br>3%<br>4.8% |
| Major provincial – development properties | 104.4 | Discounted cash flows | Estimated cost to complete (£m)<br>Estimated future rent (%)<br>Discount rate (yield) (%) | £19.4m – £57.8m<br>3%<br>5.3% – 5.5% | £37.1m<br>3%<br>5.4% |
| **Fair value at 31 December 2018** | **1,776.0** | | | | |

### Fair value sensitivity analysis

A decrease in net rental income or occupancy will result in a decrease in the fair value, whereas a decrease in the discount rate (yield) will result in an increase in fair value. There are inter-relationships between these rates as they are partially determined by market rate conditions.

| Class of assets | Fair value at 31 December 2019 £m | +5% change in estimated net rental income £m | -5% change in estimated net rental income £m | +25 bps change in nominal equivalent yield £m | -25 bps change in nominal equivalent yield £m |
|---|---|---|---|---|---|
| **Rental properties** | | | | | |
| London | **1.015.0** | 1,062.8 | 962.6 | 953.4 | 1,079.9 |
| Prime provincial | **876.5** | 955.0 | 865.7 | 866.2 | 959.5 |
| Major provincial | **1,198.1** | 1,252.4 | 1,134.0 | 1,143.6 | 1,247.4 |
| Other provincial | **317.3** | 322.1 | 291.4 | 294.9 | 319.6 |
| **Development properties** | | | | | |
| London | **245.1** | 262.2 | 228.0 | 227.2 | 265.2 |
| Prime provincial | **76.1** | 85.2 | 67.1 | 67.1 | 88.2 |
| Major provincial | **90.6** | 100.7 | 80.5 | 83.3 | 99.2 |
| **Market value** | **3,818.7** | **4,040.4** | **3,629.3** | **3,635.7** | **4,059.0** |

## 3.2 Inventories

**Accounting policies**

Inventories are shown at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses. All costs directly associated with the purchase and construction of a property, and all subsequent qualifying expenditure is capitalised.

| | 2019 £m | 2018 £m |
|---|---|---|
| Interests in land | **1.5** | 6.8 |
| Other stocks | **2.5** | 2.3 |
| **Inventories** | **4.0** | **9.1** |

At 31 December 2019, the Group had interests in two pieces of land (2018: one piece of land).

## 3.3 Right of use assets and other non-current assets

**Accounting policies**

**Leased assets**

The Group has applied IFRS 16 using the cumulative catch-up approach and therefore comparative information has not been restated and is presented under IAS 17. The details of accounting policies under both IAS 17 and IFRS 16 are presented separately below.

*Policies applicable from 1 January 2019*

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right of use asset and a corresponding lease liability (see note 4.6a) with respect to all lease arrangements in which it is the lessee. Right of use assets have been measured following the approach in IFRS 16.C8(b)(ii), whereby right of use assets are set equal to the lease liability, adjusted for prepaid or accrued lease payments. They are subsequently measured at this initial value less accumulated depreciation and impairment losses.

*Policies applicable before 1 January 2019*

Assets held under operating leases are not included in other non-current assets, but the future payments due in respect of these properties are disclosed in note 4.6a.

# Notes to the financial statements continued

## Section 3: Asset management continued

### 3.3 Right of use assets and other non-current assets continued

**Accounting policies** continued

**Property, plant and equipment**

Other than land and buildings, property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see below). Land and buildings are stated at fair value on the same basis as investment properties. Property, plant and equipment mainly comprise leasehold improvements at the Group's head office and London office as well as computer hardware and software at these sites.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives. Freehold land is not depreciated. The estimated useful lives are as follows:

- Right of use assets — Shorter of lease and economic life
- Property, plant and equipment — 4–7 years

**Intangible assets**

Intangible assets predominantly comprise computer software which allows customers to book online and processes transactions within the sales cycle. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. The assets are amortised on a straight-line basis over four to seven years, being the estimated useful lives of the intangible assets, from the date they are available for use. Amortisation is charged to the income statement within operating expenses.

### 3.3a Right of use assets

| | 2019 | | |
|---|---|---|---|
| | Buildings £m | Other £m | Total £m |
| **Cost** | | | |
| At 1 January | **3.7** | **0.6** | **4.3** |
| Additions | **1.4** | **0.2** | **1.6** |
| Acquired through business combination | **0.7** | **–** | **0.7** |
| At 31 December | **5.8** | **0.8** | **6.6** |
| **Amortisation** | | | |
| At 1 January | **–** | **–** | **–** |
| Amortisation charge for the year | **0.8** | **0.3** | **1.1** |
| At 31 December | **0.8** | **0.3** | **1.1** |
| Carrying value at 1 January | **3.7** | **0.6** | **4.3** |
| **Carrying value at 31 December** | **5.0** | **0.5** | **5.5** |

The Group leases several assets including office equipment and vehicles. The average lease term is three years.

Approximately 10% of the leases expired in the current financial year. The expired contracts were replaced by new leases for identical underlying assets. This resulted in additions to right of use assets of £0.2 million in 2019.

The maturity analysis of lease liabilities is presented in note 4.6a.

### 3.3b Other non-current assets

The Group's other non-current assets can be analysed as follows:

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | Property, plant and equipment £m | Intangible assets £m | Total £m | Property, plant and equipment £m | Intangible assets £m | Total £m |
| **Cost or valuation** | | | | | | |
| At 1 January | **21.4** | **53.6** | **75.0** | 20.1 | 47.0 | 67.1 |
| IFRS 16 transition* | **(10.7)** | **–** | **(10.7)** | – | – | – |
| Additions | **0.4** | **5.1** | **5.5** | 1.3 | 6.6 | 7.9 |
| Acquired through business combination | **0.3** | **0.4** | **0.7** | – | – | – |
| At 31 December | **11.4** | **59.1** | **70.5** | 21.4 | 53.6 | 75.0 |
| **Depreciation and amortisation** | | | | | | |
| At 1 January | **11.2** | **30.8** | **42.0** | 9.1 | 25.6 | 34.7 |
| IFRS 16 transition* | **(4.0)** | **–** | **(4.0)** | – | – | – |
| Depreciation/amortisation charge for the year | **0.9** | **5.6** | **6.5** | 2.1 | 5.2 | 7.3 |
| At 31 December | **8.1** | **36.4** | **44.5** | 11.2 | 30.8 | 42.0 |
| Carrying value at 1 January | **10.2** | **22.8** | **33.0** | 11.0 | 21.4 | 32.4 |
| **Carrying amount at 31 December** | **3.3** | **22.7** | **26.0** | **10.2** | **22.8** | **33.0** |

* Read more about the impact of transitioning to IFRS 16 on page 176.

Intangible assets include £3.5 million (2018: £2.8 million) of assets not being amortised as they are not yet ready for use. Property, plant and equipment assets include £0.8 million (2018: £0.6 million) of assets not being depreciated as they are not ready for use. At 31 December 2019 the Group had capital commitments of £0.5 million (2018: £nil) relating to intangible assets and £nil (2018: £nil) relating to Property, plant and equipment.

### 3.4 Investments in joint ventures (Group)

#### Accounting policies

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement. The consolidated financial statements include joint ventures initially at cost subsequently, increased or decreased by the Group's share of total gains and losses of joint ventures on an equity basis. Interest free joint venture investment loans are initially recorded at fair value – the difference between the nominal amount and fair value being treated as an investment in the joint venture. The implied discount is amortised over the contracted life of the investment loan.

The Directors consider that the agreements integral to its joint ventures result in the Group having joint control over the key matters required to operate the joint ventures. A significant degree of judgement is exercised in this assessment due to the complexity of the contractual arrangements.

USAF and LSAV are jointly owned entities that are accounted for as joint ventures. Due to the complexity of the contractual arrangements and Unite's role as manager of the joint venture vehicles, the assessment of joint control following changes to accounting standards (IFRS 10) involves judgements around a number of significant factors. These factors include how Unite as fund manager has the ability to direct relevant activities such as acquisitions, disposals, capital expenditure for refurbishments and funding whether through debt or equity. This assessment for USAF is complex because of the number of unitholders and how their rights are represented through an Advisory Committee. For some of the activities it is not clear who has definitive control of the activities: in some scenarios the Group can control, in others the Advisory Committee. However, for the activities which are considered to have the greatest impact on the returns of USAF, acquisitions and equity financing, it has been determined that the Group and the Advisory Committee has joint control in directing these activities and that on balance, it is appropriate to account for USAF as a joint venture. The assessment for LSAV is more straightforward because the Group and GIC each own 50% of the joint venture and there is therefore much clearer evidence that control over the key activities is shared by the two parties.

# Notes to the financial statements continued

## Section 3: Asset management continued

### 3.4 Investments in joint ventures (Group) continued

The Group has two joint ventures:

| Joint venture | Group's share of assets/ results 2019 (2018) | Objective | Partner | Legal entity in which Group has interest |
|---|---|---|---|---|
| The UNITE UK Student Accommodation Fund (USAF) | 23.4%* (26.9%) | Invest and operate student accommodation throughout the UK | Consortium of investors | UNITE UK Student Accommodation Fund, a Jersey Unit Trust |
| London Student Accommodation Venture (LSAV) | 50% (50%) | Operate student accommodation in London | GIC Real Estate Pte, Ltd Real estate investment vehicle of the Government of Singapore | LSAV Unit Trust, a Jersey Unit Trust and LSAV (Holdings) Ltd, incorporated in Jersey |

* Part of the Group's interest is held through a subsidiary, USAF (Feeder) Guernsey Limited, in which there is an external investor. A minority interest therefore occurs on consolidation of the Group's results representing the external investor's share of profits and assets relating to its investment in USAF. The ordinary shareholders of The Unite Group PLC are beneficially interested in 22.0% (2018: 25.3%) of USAF.

#### a) Net assets and results of the joint ventures

The summarised balance sheets and results for the year, and the Group's share of these joint ventures are as follows:

**2019**

| | USAF £m | | | LSAV £m | | Total £m | |
|---|---|---|---|---|---|---|---|
| | Gross | MI | Share | Gross | Share | Gross | Share |
| Investment property | 2,849.9 | 39.0 | 628.0 | 1,335.0 | 667.5 | 4,184.9 | 1,334.5 |
| Cash | 23.7 | 0.3 | 5.2 | 45.6 | 22.8 | 69.3 | 28.3 |
| Debt | (882.1) | (12.1) | (194.4) | (535.2) | (267.6) | (1,417.3) | (474.1) |
| Swap liabilities | – | – | – | (1.2) | (0.6) | (1.2) | (0.6) |
| Other current assets | 151.8 | 2.1 | 33.4 | 2.7 | 1.3 | 154.5 | 36.8 |
| Other current liabilities | (160.6) | (2.6) | (34.9) | (24.4) | (12.2) | (185.0) | (49.7) |
| Net assets | 1,982.7 | 26.7 | 437.3 | 822.5 | 411.2 | 2,805.2 | 875.2 |
| Minority interest | – | (26.7) | – | – | – | – | (26.7) |
| Swap liabilities | – | – | – | 1.2 | 0.6 | 1.2 | 0.6 |
| **EPRA net assets** | 1,982.7 | – | 437.3 | 823.7 | 411.8 | 2,806.4 | 849.1 |
| **Profit for the year** | 144.0 | 2.1 | 37.1 | 126.9 | 63.4 | 270.9 | 102.6 |

**2018**

| | USAF £m | | | LSAV £m | | Total £m | |
|---|---|---|---|---|---|---|---|
| | Gross | MI | Share | Gross | Share | Gross | Share |
| Investment property | 2,253.7 | 35.4 | 570.2 | 1,243.4 | 621.7 | 3,497.1 | 1,227.3 |
| Cash | 127.9 | 2.0 | 32.4 | 47.7 | 23.9 | 175.6 | 58.3 |
| Debt | (690.0) | (10.8) | (174.6) | (534.0) | (267.0) | (1,224.0) | (452.4) |
| Swap assets/(liabilities) | 0.4 | – | 0.1 | (0.3) | (0.2) | 0.1 | (0.1) |
| Other current assets | 27.2 | 0.4 | 6.9 | 0.4 | 0.2 | 27.6 | 7.5 |
| Other current liabilities | (57.9) | (1.1) | (11.7) | (16.1) | (8.1) | (74.0) | (20.9) |
| Net assets | 1,661.3 | 25.9 | 423.3 | 741.1 | 370.5 | 2,402.4 | 819.7 |
| Minority interest | – | (25.9) | – | – | – | – | (25.9) |
| Swap (assets)/liabilities | (0.4) | – | (0.1) | 0.3 | 0.2 | (0.1) | 0.1 |
| **EPRA net assets** | **1,660.9** | **–** | **423.2** | **741.4** | **370.7** | **2,402.3** | **793.9** |
| **Profit for the year** | **124.1** | **1.8** | **32.7** | **122.6** | **61.3** | **246.7** | **95.8** |

Net assets and profit for the year above include the minority interest, whereas EPRA net assets exclude the minority interest.

### b) Movement in carrying value of the Group's investments in joint ventures

The carrying value of the Group's investment in joint ventures increased by £55.5 million during the year ended 31 December 2019 (2018: £26.2 million), resulting in an overall carrying value of £875.2 million (2018: £819.7 million). The following table shows how the increase has been achieved.

| | 2019 £m | 2018 £m |
|---|---|---|
| **Recognised in the income statement:** | | |
| Operations segment result | **36.4** | 34.1 |
| Minority interest share of Operations segment result | **1.1** | 1.1 |
| Management fee adjustment related to trading with joint venture | **6.8** | 6.4 |
| Net revaluation gains | **58.3** | 58.1 |
| Profit/(loss) on disposal of properties | **0.4** | (3.5) |
| Other | **(0.4)** | (0.4) |
| | **102.6** | **95.8** |
| **Recognised in equity:** | | |
| Movement in effective hedges | **(0.5)** | 1.2 |
| **Other adjustments to the carrying value:** | | |
| Profit adjustment related to trading with joint venture | **(8.1)** | (6.4) |
| Additional capital invested in USAF | **–** | 8.6 |
| LSAV performance fee | **(5.7)** | – |
| Performance fee units issued in USAF | **–** | 4.0 |
| Redemption of units invested in LSAV | **–** | (39.5) |
| Distributions received | **(32.8)** | (37.5) |
| **Increase in carrying value** | **55.5** | **26.2** |
| Carrying value at 1 January | **819.7** | 793.5 |
| **Carrying value at 31 December** | **875.2** | **819.7** |

# Notes to the financial statements continued

## Section 3: Asset management continued

### 3.4 Investments in joint ventures (Group) continued

#### c) Transactions with joint ventures

The Group acts as asset and property manager for the joint ventures and receives management fees in relation to these services.

In addition, the Group is entitled to performance fees from USAF and LSAV if the joint ventures outperform certain benchmarks. The Group receives either cash or an enhanced equity interest in the joint ventures as consideration for the performance fee. The Group has recognised the following gross fees in its results for the year.

| | 2019 £m | 2018 £m |
|---|---|---|
| USAF | **14.6** | 13.5 |
| LSAV | **6.4** | 5.9 |
| **Asset and property management fees** | **21.0** | **19.4** |
| LSAV performance fee | **11.4** | – |
| USAF acquisition fee | **2.8** | – |
| **Investment management fees** | **14.2** | – |
| **Total fees** | **35.2** | **19.4** |

On an EPRA basis, fees from joint ventures are shown net of the Group's share of the cost to the joint ventures.

The Group's share of the cost to the joint ventures is £6.6 million (2018: £6.2 million), which results in management fees from joint ventures of £14.4 million being shown in the Operating segment result in note 2.2a (2018: £13.2 million, excluding £2.4 million third party management fee).

Investment management fees are included within the unallocated to segments section in note 2.2a.

During 2019, the Group sold five properties to USAF for gross proceeds of £202.3 million. All five properties had been held on balance sheet as investment property within non-current assets. The proceeds and carrying value of the property are therefore recognised in profit on disposal of property and the cash flows in investing activities. The profits relating to the sales, associated disposal costs and related cash flows are set out below:

| | Profit and loss | |
|---|---|---|
| | 2019 USAF £m | 2018 LSAV £m |
| Included in profit on disposal of property (net of joint venture trading adjustment) | **1.8** | – |
| **Profit on disposal of property** | **1.8** | **–** |

| | Cash flow | |
|---|---|---|
| | 2019 USAF £m | 2018 LSAV £m |
| Gross proceeds | **202.3** | 1.0 |
| **Net cash flows included in cash flows from investing activities** | **202.3** | **1.0** |

### 3.5 Investments in subsidiaries (Company)

**Accounting policies**

In the financial statements of the Company, investments in subsidiaries are held at fair value. Changes in fair value are recognised in Other comprehensive income and presented in the revaluation reserve in equity.

**Carrying value of investment in subsidiaries**

The movements in the Company's interest in unlisted subsidiaries and joint ventures during the year are as follows:

| | Investment in subsidiaries | |
|---|---|---|
| | 2019 £m | 2018 £m |
| At 1 January | **1,189.4** | 926.6 |
| Additions | **1,397.1** | – |
| Revaluation | **(372.8)** | 262.8 |
| **At 31 December** | **2,213.7** | **1,189.4** |

The carrying value of investment in subsidiaries has been calculated using the equity attributable to the owners of the parent company from the consolidated balance sheet adjusted for the fair value of fixed rate loans. This includes investment property, investment property under development and swaps at a fair value calculated by a third party expert. All investment properties and investment properties under development are classified as Level 3 in the IFRS 13 fair value hierarchy and have been discussed on page 194. The fixed rate loans range between Level 1 and Level 2 in the IFRS 13 fair value hierarchy and have been discussed further on page 202.

A full list of the Company's subsidiaries and joint ventures can be found in note 10.

## Section 4: Funding

The Group finances its development and investment activities through a mixture of retained earnings, borrowings and equity. The Group continuously monitors its financing arrangements to manage its gearing.

Interest rate swaps are used to manage the Group's risk to fluctuations in interest rate movements.

The following pages provide disclosures about the Group's funding position, including borrowings, gearing and hedging instruments; its exposure to market risks; and its capital management policies.

The Merger reserve arose on the acquisition of the Unilodge portfolio in June 2001.

**Accounting policies**

**Financial instruments**

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value, less any attributable transaction costs, and subsequently at amortised cost.

No financial assets or liabilities have been classified as either fair value through profit or loss or fair value through other comprehensive income.

The accounting policies applicable to specific financial assets and liabilities, and financing costs, are set out in the relevant notes.

**Impairment of financial assets**

The Group recognises a loss allowance for expected credit losses on trade receivables.

The accounting policy is set out in full in note 5.2.

**Derivative financial instruments**

The Group enters into derivative financial instruments to manage its exposure to interest rate risk. Further details of derivative financial instruments, including the relevant accounting policies, are disclosed in notes 4.2 and 4.5.

# Notes to the financial statements continued

## Section 4: Funding continued

### 4.1 Borrowings

**Accounting policies**

Interest bearing borrowings are recognised initially at fair value, less attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

The table below analyses the Group's borrowings which comprise bank and other loans by when they fall due for payment:

| | Group – Carrying value | | Company – Carrying value | |
|---|---|---|---|---|
| | 2019 £m | 2018 £m | 2019 £m | 2018 £m |
| **Current** | | | | |
| In one year or less, or on demand | **1.4** | 1.3 | **–** | 0.5 |
| **Non-current** | | | | |
| In more than one year but not more than two years | **1.5** | 85.6 | **–** | 84.2 |
| In more than two years but not more than five years | **964.7** | 110.3 | **172.2** | – |
| In more than five years | **567.6** | 395.4 | **270.0** | 271.4 |
| | **1,533.8** | 591.3 | **442.2** | 355.6 |
| Unamortised fair value of debt recognised on acquisition | **32.4** | – | **–** | – |
| **Total borrowings** | **1,567.6** | **592.6** | **442.2** | **356.1** |

In addition to the borrowings currently drawn as shown above, the Group has available undrawn facilities of £305.0 million (2018: £350.0 million). A further overdraft facility of £10.0 million (2018: £10.0 million) is also available.

Properties with a carrying value of £604.7 million (2018: £638.1 million) have been pledged as security against the Group's drawn down borrowings. On the occurrence of certain specified events of default, for example the Group failed to meet its payment obligations in relation to the secured borrowings, the secured lender would be entitled to enforce its security over the relevant properties and sell them. The sale proceeds would then be applied in discharge of the relevant borrowings.

The carrying value and fair value of the Group's borrowings is analysed below:

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | Carrying value £m | Fair value £m | Carrying value £m | Fair value £m |
| Level 1 IFRS fair value hierarchy | **907.4** | **930.9** | 365.0 | 373.5 |
| Level 2 IFRS fair value hierarchy | **231.9** | **244.6** | 237.8 | 251.2 |
| Other loans and unamortised arrangement fees | **428.3** | **428.3** | (10.2) | (10.2) |
| **Total borrowings** | **1,567.6** | **1,603.8** | **592.6** | **614.5** |

The fair value of loans classified as Level 1 in the IFRS fair value hierarchy is determined using quoted prices in active markets for identical liabilities.

The fair value of loans classified as Level 2 in the IFRS fair value hierarchy has been calculated by a third party expert discounting estimated future cash flows on the basis of market expectation of future interest rates. The fair value represents the net present value of the difference between the contracted rate and the valuation rate when applied to the projected balances for the period from the reported date to the contracted expiry date. Loans are valued using the mid-point of the yield curve prevailing on the reporting date. The valuations do not include accrued interest from the previous settlement date to the reporting date nor a credit valuation adjustment.

The following table shows the changes in liabilities arising from financing activities:

**2019**

| | at 1 January 2019 | Financing cash flows | Acquired through business combination (note 6) | Fair Value adjustments | Other changes | at 31 December 2019 |
|---|---|---|---|---|---|---|
| Borrowings | **592.6** | **79.0** | **861.7** | **32.4** | **1.9** | **1,567.6** |
| Interest rate swaps | **0.1** | **–** | **–** | **7.5** | **–** | **7.6** |
| **Total liabilities from financing activities** | **592.7** | **79.0** | **861.7** | **39.9** | **1.9** | **1,575.2** |

**2018**

| | at 31 December 2017 | Financing cash flows | Fair Value adjustments | Other changes | at 31 December 2018 |
|---|---|---|---|---|---|
| Borrowings | 512.8 | 81.5 | – | (1.7) | 592.6 |
| Interest rate swaps | 0.8 | – | (0.7) | – | 0.1 |
| **Total liabilities from financing activities** | **513.6** | **81.5** | **(0.7)** | **(1.7)** | **592.7** |

## 4.2 Interest rate swaps

The Group uses interest rate swaps to manage the Group's exposure to interest rate fluctuations. In accordance with the Group's treasury policy, the Group does not hold or issue interest rate swaps for trading purposes and only holds swaps which are considered to be commercially effective.

**Accounting policies**

Interest rate swaps are recognised initially and subsequently at fair value, with mark to market movements recognised in the income statement unless cash flow hedge accounting is applied.

The Group designates certain interest rate derivatives as hedging instruments. The interest rate swap is designated as the hedging instrument in a hedge of the variability in cash flows attributable to the interest risk of borrowings. At inception the Group documents the relationship between the hedging instrument and the hedged item, along with the risk management objectives and its strategy for undertaking various hedge transactions.

Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

The effective portion of changes in fair value of the interest rate swap is recognised in Other comprehensive income and presented under the heading of Hedging reserve in equity, limited to the cumulative change in fair value of the hedged item from inception of the hedge. Any ineffective portion of changes in the fair value of the interest rate swap is recognised immediately in profit or loss.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. If the Group expects that some or all of the loss accumulated in the hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria. This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in Other comprehensive income and accumulated in the hedging reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in the hedging reserve is reclassified immediately to profit or loss.

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

# Notes to the financial statements continued

## Section 4: Funding continued

### 4.2 Interest rate swaps continued

The following table shows the fair value of interest rate swaps:

| | 2019 £m | 2018 £m |
|---|---|---|
| Current | **–** | – |
| Non-current | **7.6** | 0.1 |
| **Fair value of interest rate swaps** | **7.6** | **0.1** |

The fair value of interest rate swaps (a credit balance in 2019 and 2018) have been calculated by a third party expert, discounting estimated future cash flows on the basis of market expectations of future interest rates, representing Level 2 in the IFRS 13 fair value hierarchy.

### 4.3 Net financing costs

**Accounting policies**

Net financing costs comprise interest payable on borrowings and interest on lease liabilities, less interest receivable on funds invested (both calculated using the effective interest rate method) and gains and losses on hedging instruments that are recognised in the income statement.

| Recognised in the income statement: | 2019 £m | 2018 £m |
|---|---|---|
| Interest income | **(5.1)** | (0.9) |
| Amortisation of fair value of debt recognised on acquisition | **(0.4)** | – |
| **Finance income** | **(5.5)** | **(0.9)** |
| Gross interest expense on loans | **32.9** | 24.8 |
| Interest capitalised | **(9.1)** | (10.5) |
| Loan interest and similar charges | **23.8** | 14.3 |
| Interest on lease liabilities | **9.2** | – |
| Mark to market changes on interest rate swaps | **2.7** | – |
| Swap cancellation and loan break costs | **2.7** | 0.1 |
| **Finance costs** | **38.4** | **14.4** |
| **Net financing costs** | **32.9** | **13.5** |

The average cost of the Group's wholly owned investment debt for the year ended 31 December 2019 is 3.3% (2018: 3.8%). The overall average cost of investment debt on an EPRA basis is 3.3% (2018: 3.8%).

## 4.4 Gearing

LTV is a key indicator that the Group uses to manage its indebtedness. The Group also monitors gearing, which is calculated using EPRA net asset value (NAV) and adjusted net debt. Adjusted net debt excludes IFRS 16 lease liabilities, the unamortised fair value of debt recognised on acquisition and mark to market of interest rate swaps as shown below.

The Group's gearing ratios are calculated as follows:

| | Note | 2019 £m | 2018 £m |
|---|---|---|---|
| Cash and cash equivalents | 5.1 | **86.9** | 123.6 |
| Current borrowings | 4.1 | **(1.4)** | (1.3) |
| Non-current borrowings | 4.1 | **(1,566.2)** | (591.3) |
| Lease liabilities | 4.6a | **(104.8)** | – |
| Interest rate swaps | 4.2 | **(7.6)** | (0.1) |
| **Net debt per balance sheet** | | **(1,593.1)** | **(469.1)** |
| Lease liabilities | 4.6a | **104.8** | – |
| Unamortised fair value of debt recognised on acquisition | 2.3c | **32.4** | – |
| **Adjusted net debt** | | **(1,448.3)** | **(469.0)** |
| Reported net asset value | 2.3c | **3,071.5** | 2,073.0 |
| EPRA net asset value | 2.3c | **3,109.7** | 2,085.4 |
| **Gearing** | | | |
| Basic (net debt/reported net asset value) | | **52%** | 23% |
| Adjusted gearing (adjusted net debt/EPRA net asset value) | | **47%** | 22% |
| Loan to value | 2.3a | **37%** | 29% |

## 4.5 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risks (primarily interest rate risk), credit risk and liquidity risk. The Group's treasury policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Details on credit risk can be found in note 5.3.

### a) Interest rate risk

The Group is exposed to interest rate risk because entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings, and by the use of interest rate swap contracts and forward interest rate contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite; ensuring the most cost-effective hedging strategies are applied.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

The Group holds its debt finance under both floating and fixed rate arrangements. The majority of floating debt is hedged through the use of interest rate swap agreements. The Group's policy guideline has been to hedge 75%–95% of the Group's exposure for terms of approximately two to ten years.

At 31 December 2019, after taking account of interest rate swaps, 93% (2018: 100%) of the Group's borrowing was held at fixed rates. Excluding the £342 million (2018: £nil) of swaps and caps the fixed investment borrowing is at an average rate of 3.5% (2018: 4.4%) for an average period of 6.9 years (2018: 6.4 years), including all debt with current or forward starting swaps the average rate is 3.2% (2018: 4.4%).

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt held and the cash flow exposures on the issued variable rate debt held. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the curves at the reporting date and the credit risk inherent in the contract, and is disclosed below. The average interest rate is based on the outstanding balances at the end of the financial year.

# Notes to the financial statements continued

## Section 4: Funding continued

### 4.5 Financial risk factors continued

#### a) Interest rate risk continued

As the critical terms of the hedge contracts and their corresponding hedged items are the same, the Group performs a qualitative assessment of effectiveness and it is expected that the value of the interest rate swap contracts and the value of the corresponding hedged items will systematically change in opposite direction in response to movements in the underlying interest rates. The main source of hedge ineffectiveness in these hedge relationships is the effect of the counterparty and the Group's own credit risk on the fair value of the hedge contracts, which is not reflected in the fair value of the hedged item attributable to the change in interest rates. No other sources of ineffectiveness emerged from these hedging relationships.

The Group holds interest rate swaps and caps at 31 December 2019 against £342 million (2018: £nil) of the Group's borrowings. The maturity of these swaps and the applicable interest rates are shown below, in line with disclosure under IFRS 7:24B(b). The following tables detail various information regarding interest rate swap contracts outstanding at the end of the reporting period and their related hedged items.

**Hedging instruments**

| | Applicable interest rates | | Nominal amount hedged | | Carrying amount of hedge | | Change in fair value | |
|---|---|---|---|---|---|---|---|---|
| | 2019 % | 2018 % | 2019 £m | 2018 £m | 2019 £m | 2018 £m | 2019 £m | 2018 £m |
| Within one year | **–** | – | **–** | – | **–** | – | **–** | – |
| Between one and two years | **–** | – | **–** | – | **–** | – | **–** | – |
| Between two and five years | **0.9** | – | **342.3** | – | **(2.5)** | (0.1) | **(2.4)** | 0.6 |
| More than five years | **1.6** | – | **100.0** | – | **(5.1)** | – | **(5.1)** | – |

**Hedged items**

| | Nominal amount | | Change in value | | Hedging reserve – continuing | | Hedging reserve – discontinued* | |
|---|---|---|---|---|---|---|---|---|
| | 2019 £m | 2018 £m | 2019 £m | 2018 £m | 2019 £m | 2018 £m | 2019 £m | 2018 £m |
| Variable rate borrowings | **445.0** | – | **–** | – | **(5.5)** | (0.2) | **2.0** | 2.2 |

* Balance in cash flow hedging reserve representing the unamortised value of the realised swap gain from hedging relationship for which hedge accounting is no longer applied.

The following table details the effectiveness of the hedging relationship and the amounts reclassified from hedging reserve to profit or loss:

| | Gains/(losses) in OCI | | Hedge ineffectiveness | | | Reclassified to P&L – discontinued | | Reclassified to P&L – continuing | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2019 £m | 2018 £m | 2019 £m | 2018 £m | Line item in P&L | 2019 £m | 2018 £m | 2019 £m | 2018 £m | Line item in P&L |
| Variable rate borrowings | **(4.8)** | 0.6 | **(2.7)** | – | Other gains and losses | **0.2** | 0.1 | **–** | – | Loan interest and similar charges |

The interest rate swaps settle on a monthly basis. The floating rate on the interest rate swaps is one-month LIBOR. The Group will settle the difference between the fixed and floating interest rate on a net basis.

All interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges to reduce the Group's cash flow exposure resulting from variable interest rates on borrowings. The interest rate swaps and the interest payments on the loan occur simultaneously and the amount accumulated in equity is reclassified to profit or loss over the period that the floating rate interest payments on debt affect profit or loss.

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivative and non-derivative instruments as at 31 December 2019. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year. A 1% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1% higher and all other variables were held constant, the Group's profit for the year ended 31 December 2019 would decrease by £nil (2018: decrease by £1.1 million). This is mainly attributable to the Group's high proportion of hedging. The Group's sensitivity to interest rates has reduced during the current year mainly due to the high proportion of debt hedged.

**b) Credit risk on financial instruments**

In order to minimise credit risk, the Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and investments in these instruments, where the counterparties have minimum A- credit rating, are considered to have low credit risk for the purpose of impairment assessment. The credit rating information is supplied by independent rating agencies where available and, if not available, the Group uses other publicly available financial information including CDS price and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties in line with Board policy.

Before accepting any new customer, the finance team uses external credit ratings to assess the potential customer's credit quality and defines credit limits by customer. Monitoring procedures are also in place to ensure that follow-up action is taken when ratings deteriorate. The Group does not hold any credit enhancements to cover its credit risks associated with its financial assets.

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable;

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account collateral held by the Group).

Details of the credit quality of the Group's financial assets as well as the Group's maximum exposure to credit risk by credit risk rating grades are set out on note 5.3.

**c) Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. Details of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk are set out below.

For development activities, the Group has a policy of raising substantially the full amount of equity required for each development before drawing debt against the development. The funding requirements of developments are therefore secured at the outset of works.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

The contractual maturity is based on the earliest date on which the Group may be required to pay.

# Notes to the financial statements continued

## Section 4: Funding continued

### 4.5 Financial risk factors continued

**c) Liquidity risk** continued

**31 December 2019**

| | Weighted average effective interest rate % | Less than 1 month £m | 1–3 months £m | 3 months – 1 year £m | 1–5 years £m | 5+ years £m | Total £m | Carrying amount £m |
|---|---|---|---|---|---|---|---|---|
| Variable interest rate instruments | **2.3** | **–** | **–** | **–** | **445.0** | **–** | **445.0** | **445.0** |
| Fixed interest rate instruments | **3.5** | **–** | **–** | **–** | **231.9** | **875.0** | **1,106.9** | **1,106.9** |
| Lease liabilities | **4.2** | **0.3** | **0.6** | **3.0** | **20.4** | **80.5** | **104.8** | **104.8** |
| Trade and other payables | **n/a** | **–** | **234.7** | **–** | **–** | **–** | **234.7** | **234.7** |
| **Total** | | **0.3** | **235.3** | **3.0** | **697.3** | **955.5** | **1,891.4** | **1,891.4** |

**31 December 2018**

| | Weighted average effective interest rate % | Less than 1 month £m | 1–3 months £m | 3 months – 1 year £m | 1–5 years £m | 5+ years £m | Total £m | Carrying amount £m |
|---|---|---|---|---|---|---|---|---|
| Variable interest rate instruments | – | – | – | – | – | – | – | – |
| Fixed interest rate instruments | 4.4 | – | – | – | 203.8 | 399.0 | 602.8 | 602.8 |
| Trade and other payables | n/a | – | 141.5 | – | – | – | 141.5 | 141.5 |
| **Total** | | **–** | **141.5** | **–** | **203.8** | **399.0** | **744.3** | **744.3** |

The Group has access to financing facilities as described below, of which £315 million were unused at the reporting date (2018: £350 million). The Group expects to meet its other obligations from operating cash flows.

| | 31 December 2019 £m | 31 December 2018 £m |
|---|---|---|
| **Unsecured bank overdraft facility, reviewed annually and payable at call:** | | |
| – amount used | **–** | – |
| – amount unused | **10.0** | 10.0 |
| | **10.0** | **10.0** |
| **Unsecured committed bank loan facilities which may be extended by mutual agreement:** | | |
| – amount used | **195.0** | – |
| – amount unused | **305.0** | 350.0 |
| | **500.0** | **350.0** |

**d) Covenant compliance**

The Group monitors its covenant position and the forecast headroom available on a monthly basis. At 31 December 2019, the Group was in full compliance with all of its borrowing covenants.

The information below relates to Unite debt excluding the debt acquired as part of the acquisition of Liberty Living. The terms of the covenants and reporting dates relating to Liberty Living debt are currently being negotiated for the enlarged group.

The Group's unsecured borrowings carry several covenants. The covenant regime is IFRS based and gives the Group substantial operational flexibility, allowing property acquisitions, disposals and developments to occur with relative freedom.

| | 31 December 2019 | | 31 December 2018 | |
|---|---|---|---|---|
| | Covenant | Actual | Covenant | Actual |
| Gearing | **< 1.50** | **0.50** | < 1.50 | 0.23 |
| Unencumbered assets ratio | **> 1.70** | **2.52** | > 1.70 | 4.19 |
| Secured gearing | **< 0.25** | **0.05** | < 0.25 | 0.09 |
| Development assets ratio | **< 30%** | **9%** | < 30% | 11% |
| Joint venture ratio | **< 55%** | **19%** | < 55% | 31% |
| Interest cover | **> 2.00** | **7.6** | > 2.00 | 7.8 |

The Group's two secured loan facilities carry separate covenants. The covenant headroom position on secured loans is outlined below and assumes that the Group is able to use available cash within net debt.

| | 31 December 2019 | | 31 December 2018 | |
|---|---|---|---|---|
| | Weighted covenant | Weighted actual | Weighted covenant | Weighted actual |
| Loan to value | **75%** | **36%** | 75% | 34% |
| Interest cover | **1.5** | **2.6** | 1.5 | 2.7 |

## 4.6 Leases

### a) Lease liabilities

**Accounting policies**

The Group has applied IFRS 16 using the cumulative catch-up approach and therefore comparative information has not been restated and is presented under IAS 17. The details of accounting policies under both IFRS 16 and IAS 17 are presented separately below.

*Policies applicable from 1 January 2019*

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right of use asset (see note 3.1a) and a corresponding lease liability with respect to all lease arrangements in which it is the lessee.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability whenever:

- The lease term has changed, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did not make any such adjustments during the period presented.

*Policies applicable before 1 January 2019*

Payments made under operating leases are recognised in the income statement on straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

# Notes to the financial statements continued

## Section 4: Funding continued

### 4.6 Leases continued

**a) Lease liabilities** continued

**2019**

| Lease liabilities | 2019 £m |
|---|---|
| **Analysed as:** | |
| Non-current | **100.9** |
| Current | **3.9** |
| **Total lease liability** | **104.8** |
| **Lease liability maturity analysis** | |
| Year 1 | **3.9** |
| Year 2 | **4.4** |
| Year 3 | **4.6** |
| Year 4 | **5.3** |
| Year 5 | **6.1** |
| Onwards | **80.5** |
| **Total** | **104.8** |

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

**2018**

The total future minimum lease rentals payable under non-cancellable leases fall due for repayment as follows:

| | 2018 £m |
|---|---|
| Less than one year | 13.7 |
| Between one and five years | 55.7 |
| More than five years | 145.5 |
| **Total** | **214.9** |

These leases primarily relate to properties which the Group has sold and leased back and on which rental income is earned. The leases are generally for periods between 11 and 16 years and subject to annual RPI-based rent review. The total operating lease expenditure incurred during 2018 was £13.8 million.

**b) Lease receivables**

The Group has applied IFRS 16 using the cumulative catch-up approach and therefore comparative information has not been restated and is presented under IAS 17.

The Group accounts for its tenancy contracts offered to commercial and individual tenants as operating leases.

Operating lease contracts with Universities contain RPI uplifts and market review clauses.

The lessee does not have an option to purchase the property at the expiry of the lease period.

**Maturity analysis of operating lease receivables**

The future minimum lease payments receivable under non-cancellable operating leases are as follows:

| | 2019 £m | 2018 £m |
|---|---|---|
| Less than one year | **196.3** | 96.9 |
| Between one and five years | **241.3** | 160.8 |
| More than five years | **359.3** | 279.3 |
| **Total** | **796.9** | **537.0** |

## 4.7 Capital management

The capital structure of the Group consists of shareholders' equity and adjusted net debt, including cash held on deposit. The Group's equity is analysed into its various components in the Statement of Changes in Equity. The components and calculation of adjusted net debt is set out in note 4.4. Capital is managed so as to continue as a going concern and to promote the long-term success of the business and to maintain sustainable returns for shareholders and joint venture partners.

The Group uses a number of key metrics to manage its capital structure:

- adjusted net debt (note 4.4)
- adjusted gearing (note 4.4)
- LTV (note 2.3a)
- weighted average cost of investment debt (note 4.5a)

In order to manage levels of adjusted gearing over the medium term, the Group seeks to deliver NAV growth and to recycle capital invested in lower performing assets into new assets and property developments. £295.5 million of property assets were sold in 2019 and we plan to sell £100–£150 million of property during 2020. The Group targets a yield on cost of approximately 7%. The Group does not commit to developing new sites until sufficient equity and funding to fulfil the full cost of the development is secure.

The Board monitors the ability of the Group to pay dividends out of available cash and distributable profits. Based on the assumption that no shareholders take up the scrip dividend, the full year dividend will not be covered by operating cash flows. The full year (interim plus final) dividend is expected to be £106.7 million compared to operating cash flow of £90.4 million. The shortfall is due to the fact that a significant number of shares were issued to existing shareholders and CPPIB in 2019 as part of the acquisition of Liberty Living, whilst the Group only owned Liberty Living for one month. As the Group will earn a full year of income from the Liberty Living portfolio and deliver synergies in 2020, it is expected that the 2020 full year dividend will be covered by operating cash flows.

## 4.8 Equity

### Accounting policies

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction, net of tax, in equity from the proceeds. Share issue costs incurred directly in connection with a business combination are deducted from the proceeds of the issue.

The Company's issued share capital has increased during the year as follows:

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| **Called up, allotted and fully paid ordinary shares of £0.25p each** | **No. of shares** | **Ordinary shares £m** | **Share Premium £m** | **No. of shares** | **Ordinary shares £m** | **Share Premium £m** |
| At 1 January | **263,515,151** | **65.9** | **740.5** | 240,830,281 | 60.2 | 579.5 |
| Shares issued (placing) | **26,353,664** | **6.6** | **247.6** | 22,128,782 | 5.5 | 160.7 |
| Shares issued (scrip dividend) | **1,017,472** | **0.3** | **(0.3)** | 78,090 | 0.1 | (0.1) |
| Shares issued (consideration for Liberty Living (note 6)) | **72,582,286** | **18.1** | **887.0** | – | – | – |
| Shares issued (options exercised) | **123,309** | **–** | **0.1** | 477,998 | 0.1 | 0.4 |
| At 31 December | **363,591,882** | **90.9** | **1,874.9** | **263,515,151** | **65.9** | **740.5** |

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

# Notes to the financial statements continued

## Section 4: Funding continued

### 4.9 Dividends

**Accounting policies**

Dividends are recognised through equity on the earlier of their approval by the Company's shareholders or their payment.

During the year, the Company declared and paid an interim dividend of £23.2 million – 10.25p per share (2018: £24.3 million – 9.5p per share) and paid a £47.5 million final dividend – 19.5p per share relating to the year ended 31 December 2018 (2018: £38.2 million – 15.4p per share relating to the year ended 31 December 2017).

After the year end, the Directors proposed a final dividend per share of 22.95p (2018: 19.5p), bringing the total dividend per share for the year to 33.2p (2018: 29.0p). No provision has been made in relation to this dividend.

The Group has modelled tax adjusted property business profits for five years and declared PIDs in respect of the May 2019 and November 2019 distributions to ensure that the PID requirement will be satisfied. For the year ended 31 December 2019 the required PID is expected to be fully paid by May 2020.

## Section 5: Working capital

This section focuses on how the Group generates its operating cash flows. Careful management of working capital is vital to ensure that the Group can meet its trading and financing obligations within its ordinary operating cycle.

On the following pages you will find disclosures around the Group's cash position and how cash is generated from the Group's trading activities, and disclosures around trade receivables and payables.

**Accounting policies**

Cash and cash equivalents comprise cash balances and call deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

### 5.1 Cash and cash equivalents

The Group's cash position at 31 December 2019 was £86.9 million (2018: £123.6 million).

The Group's cash balances include £2.6 million (2018: £2.4 million) whose use at the balance sheet date is restricted by funding agreements to pay operating costs and loan interest relating to specific properties.

The Group generates cash from its operating activities as follows:

| | Note | Group | | Company | |
|---|---|---|---|---|---|
| | £m | 2019 £m | 2018 £m | 2019 £m | 2018 £m |
| (Loss)/profit for the year | | **(87.6)** | 237.3 | **(139.9)** | 252.1 |
| Adjustments for: | | | | | |
| Depreciation and amortisation | 3.3 | **7.6** | 7.3 | **–** | – |
| Impairment of goodwill and acquired intangible asset | 6 | **384.1** | – | **–** | – |
| Acquisition costs | 6 | **22.8** | – | **–** | – |
| Fair value of share-based payments | 7.1 | **2.2** | 1.1 | **–** | – |
| Dividends received | | **–** | – | **(276.0)** | – |
| Change in value of investment property (owned) | 3.1 | **(154.8)** | (105.8) | **–** | – |
| Change in value of investment property (leased) | 3.1 | **8.1** | – | **–** | – |
| Change in value of investments | 3.5 | **–** | – | **372.9** | (262.8) |
| Net finance costs excluding interest on lease liabilities | 4.3 | **23.7** | 13.5 | **13.9** | 7.3 |
| Loss on disposal of investment property (owned) | | **6.2** | 6.8 | **–** | – |
| Loss on disposal of investment property (leased) | | **1.1** | – | **–** | – |
| Share of joint venture profit | 3.4b | **(102.6)** | (95.8) | **–** | – |
| Trading with joint venture adjustment | | **8.1** | 6.4 | **–** | – |
| Tax (credit)/charge | 2.5a | **(13.6)** | 8.5 | **–** | – |
| **Cash flows from operating activities before changes in working capital** | | **105.3** | **79.2** | **(28.5)** | **(3.4)** |
| Increase in trade and other receivables | | **(1.6)** | (4.5) | **0.1** | – |
| Increase in inventories | | **(1.7)** | (5.5) | **–** | – |
| Decrease in trade and other payables | | **(21.3)** | (5.8) | **25.9** | 2.9 |
| **Cash flows from operating activities** | | **80.7** | **63.5** | **(2.5)** | **(0.5)** |
| Tax paid | | **(2.2)** | (3.8) | **–** | – |
| **Net cash flows from operating activities** | | **78.5** | **59.7** | **(2.5)** | **(0.5)** |

In 2019, none of the brought forward trade and other receivables was settled in units in USAF rather than cash (2018: £4.0 million).

Cash flows consist of the following segmental cash inflows/(outflows): operations £85.4 million (2018: £81.2 million), property £191.8 million (2018: (£138.3 million)) and unallocated (£314.5 million) (2018: £129.5 million).

The unallocated amount includes a net cash outflow of (£487.1 million) in respect of the acquisition of Liberty Living (2018: £nil), amounts received from shares issued £254.7 million (2018: £166.7 million), dividends paid (£69.6 million) (2018: (£62.5 million)), tax paid (£2.2 million) (2018: (£3.8 million)) and investment in joint ventures £nil (2018: £30.9 million).

# Notes to the financial statements continued

## Section 5: Working capital continued

### 5.2 Trade and other receivables

**Accounting policies**

On the basis that trade receivables meet the business model and cash flow characteristics tests, they are initially recognised at transaction price and then subsequently measured at amortised cost.

The Group applies the IFRS 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component.

In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due and also according to whether the tenant is a commercial organisation (including Universities) or an individual student.

The expected loss rates are based on the payment profile for sales by academic year as well as the corresponding historical credit losses during the period. The historical rate are adjusted to reflect any current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding, however given the short period exposed to credit risk, the impact of macroeconomic factors has not been considered significant within the reporting period.

Trade receivables are written off (ie derecognised) when there is no reasonable expectation of recovery. Failure to make payments within a reasonable period from the invoice date and failure to engage with the Group on alternative payment arrangements, amongst others are considered indicators of no reasonable expectation of recovery.

Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Trade and other receivables can be analysed as follows; all trade and other receivables are current.

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 £m | 2018 £m | 2019 £m | 2018 £m |
| Trade receivables | **30.5** | 22.8 | **–** | – |
| Amounts due from Group undertakings (note 5.5) | **–** | – | **1,208.0** | 1,095.4 |
| Amounts due from joint ventures | **18.7** | 36.7 | **–** | – |
| LSAV performance fee | **11.4** | – | **–** | – |
| Prepayments and accrued income | **20.0** | 14.9 | **–** | 0.2 |
| Other receivables | **6.5** | 13.7 | **0.1** | 0.1 |
| **Trade and other receivables** | **87.1** | **88.1** | **1,208.1** | **1,095.7** |

The Group offers tenancy contracts to commercial (Universities and retail unit tenants) and individual tenants based on the academic year. The Group monitors and manages the recoverability of its receivables based on the academic year to which the amounts relate. Rental income is payable immediately, therefore all receivables relating to tenants are past the payment due date.

We do not anticipate there to be any expected credit loss on amounts receivable from joint ventures as these remain highly profitable.

Details of amounts due from Group undertakings to the Company are disclosed in note 5.5.

## 2019

| | Total £m | Ageing by academic year 2019/20 £m | 2018/19 £m | Prior years £m |
|---|---|---|---|---|
| **Rental debtors** | | | | |
| Commercial tenants (past due and impaired) | **0.4** | **0.3** | **0.1** | **–** |
| Individual tenants (past due and impaired) | **34.0** | **29.6** | **1.8** | **2.6** |
| Expected credit loss carried | **(3.9)** | **–** | **(1.6)** | **(2.3)** |
| **Trade receivables** | **30.5** | **29.9** | **0.3** | **0.3** |

## 2018

| | Total £m | Ageing by academic year 2018/19 £m | 2017/18 £m | Prior years £m |
|---|---|---|---|---|
| **Rental debtors** | | | | |
| Commercial tenants (past due and impaired) | 0.4 | 0.1 | 0.3 | – |
| Individual tenants (past due and impaired) | 24.5 | 23.1 | 0.2 | 1.2 |
| Expected credit loss carried | (2.1) | – | (0.9) | (1.2) |
| **Trade receivables** | **22.8** | **23.2** | **(0.4)** | **–** |

Movements in the Group's expected credit losses of trade receivables can be shown as follows:

| | 2019 £m | 2018 £m |
|---|---|---|
| At 1 January | **2.1** | 1.8 |
| Acquired on acquisition | **1.4** | – |
| Expected credit loss charged to income statement in year | **0.9** | 0.3 |
| Receivables written off during the year (utilisation of expected credit loss) | **(0.5)** | – |
| **At 31 December** | **3.9** | **2.1** |

The loss allowance for trade receivables is estimated as an amount equal to the lifetime expected credit loss (ECL). This loss has been estimated using the Group's history of loss for similar assets and takes into account current and forecast conditions.

The impact of credit losses is not considered significant in respect of the financial statements.

### 5.3 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. It arises principally from the Group's cash balances, the Group's receivables from customers and joint ventures and loans provided to the Group's joint ventures.

At the year end, the Group's maximum exposure to credit risk was as follows:

| | Note | 2019 £m | 2018 £m |
|---|---|---|---|
| Cash | 5.1 | **86.9** | 123.6 |
| Trade receivables | 5.2 | **30.5** | 22.8 |
| Amounts due from joint ventures | 5.2 | **30.1** | 36.7 |
| | | **147.5** | **183.1** |

# Notes to the financial statements continued

## Section 5: Working capital continued

### 5.3 Credit risk continued

#### a) Cash

The Group operates investment guidelines with respect to surplus cash. Counterparty limits for cash deposits are largely based upon long-term ratings published by credit rating agencies and credit default swap rates. Deposits were placed with financial institutions with A- or better credit ratings.

#### b) Trade receivables

The Group's customers can be split into two groups – (i) students (individuals) and (ii) commercial organisations including Universities. The Group's exposure to credit risk is influenced by the characteristics of each customer. The Group holds customer deposits of £1.0 million (2018: £0.9 million) as collateral against individual customers.

#### c) Joint ventures

Amounts receivable from joint ventures fall into two categories – working capital balances and investment loans. The Group has strong working relationships with its joint venture partners and therefore views this as a low credit risk balance.

### 5.4. Trade and other payables

**Accounting policies**

Trade payables are initially recognised at the value of the invoice received from a supplier (fair value) and subsequently at amortised cost. The carrying value of trade payables is considered approximate to fair value.

Trade and other payables due within one year can be analysed as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 £m | 2018 £m | 2019 £m | 2018 £m |
| Trade payables | **15.7** | 26.6 | **–** | – |
| Retentions on construction contracts for properties | **5.8** | 9.1 | **–** | – |
| Amounts due to Group undertakings | **–** | – | **19.1** | 2.6 |
| Amounts due to joint venture | **12.0** | – | **–** | – |
| Other payables and accrued expenses | **110.5** | 46.1 | **7.0** | 5.3 |
| Deferred income | **90.7** | 59.7 | **–** | – |
| **Trade and other payables** | **234.7** | **141.5** | **26.1** | **7.9** |

Other payable and accrued expenses include £1.0 million (2018: £0.9 million) in relation to customer deposits. These will be returned at the end of the tenancy subject to the condition of the accommodation and payment of any outstanding amounts. Deferred income relates to rental income that has been collected in advance of it being recognised as revenue.

Included within accrued expenses is £50.5 million of capital commitments, relating to investment properties under development, which will be settled in 2020 (2018: £nil).

### 5.5 Transactions with other Group companies

During the year, the Company entered into various interest-free, repayable on demand loans with its subsidiaries, the aggregate of which are disclosed in the cash flow statement. In addition, the Company was charged by Unite Integrated Solutions plc for corporate costs of £3.2 million (2018: £2.5 million).

As a result of these intercompany transactions, the following amounts were due from/to the Company's subsidiaries at the year end.

| | 2019 £m | 2018 £m |
|---|---|---|
| Unite Holdings plc | **141.5** | 141.7 |
| LDC (Holdings) plc | **1,066.5** | 953.7 |
| **Amounts due from Group undertakings** | **1,208.0** | **1,095.4** |
| Unite Integrated Solutions Ltd | **19.1** | 2.6 |
| **Amounts due to Group undertakings** | **19.1** | **2.6** |

The Company has had a number of transactions with its joint ventures, which are disclosed in note 3.4c.

The Company has guaranteed £50.5 million of its subsidiary companies' liabilities (2018: £nil). The guarantees have been entered into in the normal course of business. A liability would only arise in the event of the subsidiary failing to fulfil its contractual obligations. These guarantees are accounted for in accordance with IFRS 4.

## Section 6: Business combination

### Accounting policies

At the time of acquisition, the Group considers whether each acquisition represents the acquisition of a business or the acquisition of an asset. The Group accounts for an acquisition as a business combination where an integrated set of activities are acquired in addition to the property. When the acquisition of a subsidiary does not represent a business, it is accounted for as an acquisition of assets and liabilities. The cost of acquisition is allocated to the assets and liabilities acquired based on their fair values, and no goodwill or deferred tax is recognised.

A business combination may also require the recognition of identifiable intangible assets by the Group. An intangible asset is deemed to be identifiable if it is able to be separated or divided from the other assets acquired in the business combination and sold, licensed or exchanged for something else of value, even if the intention to do so is not present on behalf of the Group.

Business combinations are accounted for using the acquisition method. The cost of the acquisition is measured as the fair value of the assets given and equity instruments issued. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the date of acquisition. Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets, including intangible assets, of the acquired entity at the date of acquisition. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement. Costs attributable to an acquisition of a business are expensed in the consolidated income statement under the heading 'Acquisition costs'.

Goodwill is allocated to cash generating units for the purpose of impairment testing and is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

On 29 November 2019, the Group completed the acquisition of Liberty Living for total consideration of £1,397.1 million. This comprised cash consideration paid of £492.0 million and the fair value of new shares issued of £905.1 million.

The consideration for the acquisition was calculated on a NAV-for-NAV basis as at 31 March 2019 with certain agreed adjustments applied to the EPRA NAVs of Unite and the Liberty Living portfolio. The share price at completion is used to calculate the fair value of the shares issued and there was a strong appreciation in the share price between announcement on 3 July 2019 and completion on 29 November 2019.

The acquisition of Liberty Living was accounted for as a business combination due to the integrated set of activities acquired in addition to the properties. Accordingly, transaction and subsequent structuring costs incurred in relation to the acquisition of £22.8 million have been expensed in the consolidated income statement.

As the acquisition has been categorised as a business combination, any premium paid over the fair value of the assets acquired is treated as goodwill in the consolidated balance sheet at the time of acquisition. Goodwill of £377.4 million arising in respect of the transaction was recognised on acquisition, as detailed below.

# Notes to the financial statements continued

## Section 6: Business combination continued

The fair value of the identifiable assets and liabilities of Liberty Living acquired as at the date of acquisition were:

| | IFRS book value £m | Provisional fair value adjustment £m | Fair value recognised on acquisition £m |
|---|---|---|---|
| Investment property | 1,952.1 | – | 1,952.1 |
| PPE and intangibles assets | 11.9 | (2.5) | 9.4 |
| Trade and other receivables | 8.4 | – | 8.4 |
| Cash and cash equivalents | 22.4 | – | 22.4 |
| Trade and other payables | (78.5) | 0.4 | (78.1) |
| Borrowings | (861.7) | (32.8) | (894.5) |
| **Total identifiable net assets acquired** | **1,054.6** | **(34.9)** | **1,019.7** |

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

| Material assets acquired | Valuation technique |
|---|---|
| Investment property | Liberty Living's property portfolio was valued externally by Knight Frank, following the valuation process as set out in note 3.1. |
| Borrowings | Nominal amounts owed to lenders plus interest payable that has been adjusted for the difference between the contractual interest rate on the loans and borrowings and the market interest rate. |

Goodwill has been recognised as follows:

| | £m |
|---|---|
| Cash consideration paid | 492.0 |
| Fair value of shares issued | 905.1 |
| Fair value of identifiable net assets acquired | (1,019.7) |
| **Goodwill** | **377.4** |

Goodwill recognised on acquisition of £377.4 million represents the premium paid over the fair value of the net assets acquired.

Goodwill has been subsequently assessed for impairment. As no definitive and measurable portfolio premium can be ascribed to the combined value of the properties an impairment charge for the full amount of goodwill recognised on acquisition has been taken to the consolidated income statement.

Intangible assets have subsequently been assessed for impairment. The Liberty Living property portfolio will be rebranded to the Unite brand, therefore an impairment charge of £6.7 million, representing the fair value of the Liberty Living brand (net of deferred tax) has been taken to the consolidated income statement.

Acquired net assets, on an EPRA basis, has been determined as £1,045.8 million, being the fair value of the net assets on an IFRS basis (£1,019.7 million), excluding the fair value of the brand that was subsequently fully impaired (£6.7 million) and the £32.8 million fair value adjustment made to borrowings.

For the period 29 November 2019 to 31 December 2019, on an IFRS basis, Liberty Living contributed revenue of £13.8 million and profit of £18.1 million to the Group's results (£13.8 million and £7.5 million, respectively, on an EPRA basis). If the acquisition had occurred on 1 January 2019, revenue would have been £134.4 million and profit would have been £126.9 million for the year ended 31 December 2019.

## Section 7: Key management and employee benefits

The Group's greatest resource is its staff and it works hard to develop and retain its people. The remuneration policies in place are aimed to help recognise the contribution that Unite's people make to the performance of the Group.

On the following pages you will find disclosures around wages and salaries and share option schemes which allow employees of the Group to take an equity interest in the Group.

**Accounting policies**

The Group operates a defined contribution pension scheme. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

### 7.1 Staff numbers and costs

The average number of persons employed by the Group (including Directors) during the year (calculated on a monthly basis), analysed by category, was as follows:

| | Number of employees | |
|---|---|---|
| | 2019 | 2018 |
| Managerial and administrative | **426** | 360 |
| Site operatives | **937** | 944 |
| | **1,363** | **1,304** |

The aggregate payroll costs of these persons were as follows:

| | 2019 £m | 2018 £m |
|---|---|---|
| Wages and salaries | **49.7** | 42.7 |
| Social security costs | **5.1** | 4.1 |
| Pension costs | **1.9** | 1.4 |
| Fair value of share-based payments | **2.2** | 1.1 |
| | **58.9** | **49.3** |

The wages and salaries costs include redundancy costs of £1.3 million (2018: £0.4 million).

The total number of persons employed by the Group (including Directors) as at 31 December 2019 was 527 managerial and administrative and 1,353 site operatives. There are no employees employed directly by the Company.

### 7.2 Key management personnel

The Board considers that the key management personnel within the Group are those appointed to the Board. As such, the remuneration of key management personnel is contained within the Directors' Remuneration Report on pages 119 to 147, which covers the requirements of schedule 5 of the relevant legislation.

# Notes to the financial statements continued

## Section 7: Key management and employee benefits continued

### 7.3 Share-based compensation

A transaction is classified as a share-based transaction where the Group receives services from employees and pays for these in shares or similar equity instruments. The Group operates a number of share-based compensation schemes allowing employees to acquire shares in the Company.

#### a) Share schemes

| The Group operates the following schemes: | |
|---|---|
| **Long-Term Incentive Plan (LTIP), comprising the:** | |
| – Performance Share Plan (PSP); and<br>– HMRC Approved Employee Share Option Scheme (ESOS) | Details can be found in the Directors' Remuneration Report |
| **Save As You Earn Scheme (SAYE)** | Open to employees, vesting periods of three years, service condition |

#### b) Outstanding share options

The table below summarises the movements in the number of share options outstanding for the Group and their average exercise price:

| | Weighted average exercise price 2019 | Number of options (thousands) 2019 | Weighted average exercise price 2018 | Number of options (thousands) 2018 |
|---|---|---|---|---|
| Outstanding at 1 January | **£2.06** | **1,751** | £1.40 | 1,953 |
| Forfeited during the year | **£3.64** | **(179)** | £0.86 | (447) |
| Exercised during the year | **£2.53** | **(259)** | £1.27 | (437) |
| Granted during the year | **£0.81** | **616** | £2.65 | 682 |
| Outstanding at 31 December | **£1.45** | **1,929** | £2.06 | 1,751 |
| Exercisable at 31 December | **£2.44** | **43** | £3.88 | 85 |

For those options exercised in the year, the average share price during 2019 was £10.78 (2018: £6.21).

For those options still outstanding, the range of exercise prices at the year end was 0p to 1076p (2018: 0p to 811p) and the weighted average remaining contractual life of these options was 2.2 years (2018: 2.3 years).

The Group funds the purchase of its own shares by the 'Employee Share Ownership Trust' to meet the obligations of the LTIP and executive bonus scheme. The purchases are shown as 'Own shares acquired' in retained earnings. As at 31 December 2019, the number of shares held by the ESOT was 428,017 (2018: 561,600).

The accounting is in accordance with the relevant standards. No further information is given as the amounts for share-based payments are immaterial.

## Section 8: Post balance sheet events

Fire safety is a critical part of our health and safety strategy. In accordance with the Government's Building Safety Advice of 20 January 2020, we have initiated a thorough review of the use of High Pressure Laminate (HPL) on our properties. While the review is ongoing, early indications are that the cost of replacing the cladding could be £15–20 million (Unite share), which will form part of our capex programme for investment properties. We expect this spend to be incurred over the next 12–24 months with activity prioritised according to our risk assessments.

## Section 9: Alternative performance measures

The Group uses alternative performance measures ('APMs'), which are not defined or specified under IFRS. These APMs, which are not considered to be a substitute for IFRS measures, provide additional helpful information. APMs are consistent with how business performance is planned, reported and assessed internally by management and the Board, and provide comparable information across the Group. The APMs below have been calculated on a see through/Unite share basis, as referenced to the notes to the financial statements. Reconciliations to equivalent IFRS measures are included in notes 2.2b and 2.2c. Definitions can also be found in the glossary.

| | Note | 2019 £m | 2018 £m |
|---|---|---|---|
| **EBIT** | | | |
| Net operating income (NOI) | 2.2a | **160.8** | 140.3 |
| Management fees | 2.2a | **14.4** | 15.6 |
| Operating expenses | 2.2a | **(21.8)** | (21.7) |
| | | **153.4** | **134.2** |
| **EBIT margin %** | | | |
| Rental income | 2.2a | **213.9** | 188.3 |
| EBIT | 9 | **153.4** | 134.2 |
| | | **71.7%** | **71.3%** |
| **EBITDA** | | | |
| Net operating income (NOI) | 2.2a | **160.8** | 140.3 |
| Management fees | 2.2a | **14.4** | 15.6 |
| Operating expenses | 2.2a | **(21.8)** | (21.7) |
| Depreciation and amortisation | 3.3 | **7.6** | 7.3 |
| | | **161.0** | **141.5** |
| **Net debt** | | | |
| Cash | 2.3a | **114.9** | 179.9 |
| Debt | 2.3a | **(1,999.2)** | (1,036.4) |
| | | **(1,884.3)** | **(856.5)** |
| **Net debt (adjusted)** | | | |
| Cash | 2.3a | **114.9** | 179.9 |
| Debt (adjusted)* | | **(1,209.3)** | (1,036.4) |
| | | **(1,094.4)** | **(856.5)** |

* Calculated as Unite debt of £1,137.5 million and Liberty Living debt of £71.8 million (£861.7 million pro-rated for 33 days of ownership).

| | Note | 2019 £m | 2018 £m |
|---|---|---|---|
| **EBITDA : Net debt (adjusted)** | | | |
| EBITDA | 9 | **161.0** | 141.5 |
| Net debt (adjusted) | 9 | **(1,094.4)** | (856.5) |
| **Ratio** | | **6.8** | **6.1** |
| **Interest cover (Unite share)** | | | |
| EBIT | 9 | **153.4** | 134.2 |
| Net financing costs | 2.2a | **(34.7)** | (28.5) |
| Interest on lease liability/operating lease rentals | 2.2a | **(9.2)** | (11.5) |
| Total interest | | **(43.9)** | (40.0) |
| **Ratio** | | **3.5** | **3.4** |

# Notes to the financial statements continued

## Section 9: Alternative performance measures continued

### Reconciliation: EPRA earnings to IFRS profit before tax

| | Note | 2019 £m | 2018 £m |
|---|---|---|---|
| EPRA earnings | | **110.6** | 88.4 |
| Net valuation gains on investment property (owned) | 2.2b | **213.1** | 163.9 |
| Property disposals (owned) | 2.2b | **(5.8)** | (10.3) |
| Net valuation losses on investment property (leased) | 2.2b | **(8.1)** | – |
| Property disposals (leased) | 2.2b | **(1.1)** | – |
| Impairment of goodwill | 2.2b | **(384.1)** | – |
| Acquisition costs | 2.2b | **(22.8)** | – |
| Amortisation of fair value of debt recognised on acquisition | 2.2b | **0.4** | – |
| Changes in valuation of interest rate swaps | 2.2b | **(2.7)** | – |
| Debt exit costs | 2.2b | **(2.7)** | (0.1) |
| Minority interest and tax | | **2.0** | 3.9 |
| IFRS (loss) profit before tax | | **(101.2)** | 245.8 |

### Reconciliation: Profit before tax excluding items relating to the Liberty Living acquisition to IFRS loss before tax

| | Note | 2019 £m | 2018 £m |
|---|---|---|---|
| Profit before tax excluding items relating to the Liberty Living acquisition | | **305.3** | – |
| Impairment off goodwill and intangible asset | 6 | **(384.1)** | – |
| Acquisition costs | 6 | **(22.8)** | – |
| Amortisation of fair value of debt recognised on acquisition | 4.3 | **0.4** | – |
| IFRS loss before tax | | **(101.2)** | – |

### Adjusted basic EPS (IFRS)

| | Note | 2019 £m | 2018 £m |
|---|---|---|---|
| Profit before tax excluding items relating to the Liberty Living acquisition | 9 | **305.3** | – |
| Number of shares (thousands) | 2.2c | **282,802** | – |
| Adjusted basic EPS (IFRS) | | **108.0p** | – |

### EPRA Performance Measures

#### EPRA like-for-like rental income

| | Properties owned throughout the period | Development property | Acquisitions and disposals Calc | Other activity | Acquisitions and disposals | Total EPRA Earnings |
|---|---|---|---|---|---|---|
| **2019** | | | | | | |
| Rental income | **166.4** | **20.5** | **12.1** | **14.9** | **27.0** | **213.9** |
| Property operating expenses | **(42.5)** | **(4.5)** | **(3.6)** | **(2.6)** | **(6.1)** | **(53.1)** |
| **Net rental income** | **123.9** | **16.0** | **8.5** | **12.4** | **20.9** | **160.8** |
| **2018** | | | | | | |
| Rental income | 160.6 | 6.1 | 23.4 | (1.7) | 21.6 | 188.3 |
| Property operating expenses | (40.2) | (1.1) | (7.4) | 0.7 | (6.7) | (48.0) |
| **Net rental income** | **120.4** | **4.9** | **16.0** | **(1.0)** | **15.0** | **140.3** |
| Like-for-like gross rental income | **3.6%** | | | | | |
| Like-for-like net rental income | **3.0%** | | | | | |

| EPRA Vacancy Rate | 2019 | 2018 |
|---|---|---|
| Estimated rental value of vacant space | **3.5** | 2.1 |
| Estimated rental value of the whole portfolio | **247.1** | 139.2 |
| **EPRA Vacancy Rate** | **1.4%** | **1.5%** |

| EPRA Cost ratio | 2019 | 2018 |
|---|---|---|
| Property operating expenses | **33.0** | 28.6 |
| Operating expenses | **21.1** | 20.9 |
| Development/pre contract | **1.5** | 1.1 |
| Unallocated expenses | **4.4** | 2.0 |
| | **60.0** | 52.6 |
| Share of JV property operating expenses | **20.1** | 19.4 |
| Share of JV operating expenses | **0.7** | 0.8 |
| | **80.8** | 72.8 |
| Less: Joint venture management fees | **(14.4)** | (13.2) |
| **Total costs (A)** | **66.4** | **59.6** |
| Group vacant property costs | **–** | – |
| Share of JV vacant property costs | **–** | – |
| **Total costs excluding vacant property costs (B)** | **66.4** | **59.6** |
| Rental income | **134.1** | 112.7 |
| Share of JV rental income | **79.8** | 75.6 |
| **Total gross rental income (C)** | **213.9** | **188.3** |
| **Total EPRA cost ratio (including vacant property costs) (A)/(C)** | **31%** | **32%** |
| **Total EPRA cost ratio (excluding vacant property costs) (B)/(C)** | **31%** | **32%** |

Unite's EBIT margin excludes non operational expenses which are included within the EPRA cost ratio above.

## EPRA Valuation movement (Unite share)

| | Valuation £m | Change £m | % |
|---|---|---|---|
| Wholly owned | **1,267** | **63** | **5.2%** |
| USAF | **509** | **15** | **3.1%** |
| LSAV | **668** | **46** | **7.4%** |
| **Rental properties** | **2,444** | **124** | **4.8%** |
| Leased properties | **110** | | |
| 2019/20 development completions | **206** | | |
| Properties under development | **412** | | |
| **Properties held throughout the year** | **3,172** | | |
| Acquisitions | **2,008** | | |
| Disposals to USAF | **45** | | |
| **Total property portfolio** | **5,225** | | |

## EPRA Yield movement

| | NOI yield | Yield movement (bps) | | |
|---|---|---|---|---|
| | % | H1 | H2 | FY |
| Wholly owned | **5.1%** | **(7)** | **(5)** | **(12)** |
| USAF | **5.3%** | **(1)** | **(3)** | **(5)** |
| LSAV | **4.4%** | **(3)** | **(10)** | **(13)** |
| **Rental properties (Unite share)** | **5.0%** | **(5)** | **(6)** | **(11)** |

## Property related capital expenditure

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | Wholly owned | Share of JVs | Group share | Wholly owned | Share of JVs | Group share |
| Acquisitions | **–** | **51** | **51** | – | 7 | 7 |
| Developments | **208** | **6** | **215** | 232 | 6 | 238 |
| Rental properties | **6** | **9** | **15** | 10 | 14 | 25 |
| Other | **9** | **–** | **9** | 10 | – | 10 |
| **Total property related capex** | **224** | **66** | **290** | **253** | **27** | **280** |

# Notes to the financial statements continued

## Section 10: Company subsidiaries and joint ventures

In accordance with Section 409 of the Companies Act 2006, a full list of subsidiaries and equity accounted investments as at 31 December 2019 is disclosed below. Unless otherwise stated, the Group's ownership interest represents 100% of the ordinary shares, units or partnership capital held indirectly by Unite Group PLC. No subsidiary undertakings have been excluded from the consolidation. The subsidiaries acquired as part of the acquisition of Liberty Living have a year end of 31 August. The Unite Foundation has a year end of 30 September to facilitate academic year reporting. All other subsidiaries have a year end of 31 December.

| Registered office and principal place of business: South Quay House, Temple Back, Bristol, United Kingdom, BS1 6FL | |
|---|---|
| LDC (AIB Warehouse) Limited | LDC (Portfolio Five) Limited |
| LDC (Alscot Road) Limited | LDC (Portfolio Four) Limited |
| LDC (Brunel House) Limited | LDC (Portfolio One) Limited |
| LDC (Camden Court Leasehold) Limited | LDC (Portfolio) Limited |
| LDC (Camden Court) Limited | LDC (Project 110) Limited |
| LDC (Causewayend) Limited | LDC (Project 111) Limited |
| LDC (Chantry Court Leasehold) Limited | LDC (Radmarsh Road) Limited |
| LDC (Chaucer House) Limited | LDC (Skelhorne) Limited |
| LDC (Constitution Street) Limited | LDC (Smithfield) Limited |
| LDC (Construction Two) Limited | LDC (St Leonards) Limited |
| LDC (Euro Loan) Limited | LDC (St Pancras Way) GP1 Limited |
| LDC (Ferry Lane 2) GP3 Limited | LDC (St Pancras Way) GP2 Limited |
| LDC (Ferry Lane 2) GP4 Limited | LDC (St Pancras Way) GP3 Limited |
| LDC (Ferry Lane 2) Holdings Limited | LDC (St Pancras Way) GP4 Limited |
| LDC (Finance) Limited | LDC (St Pancras Way) Holdings Limited |
| LDC (Greetham Street) Limited | LDC (St Pancras Way) Limited Partnership |
| LDC (Gt Suffolk St) GP1 Limited | LDC (St Pancras Way) Management Limited Partnership |
| LDC (Gt Suffolk St) GP2 Limited | LDC (St Vincent's) Limited |
| LDC (Gt Suffolk St) Holdings Limited | LDC (Swindon NHS) Limited |
| LDC (Gt Suffolk St) Limited Partnership | LDC (Tara House) Limited |
| LDC (Gt Suffolk St) Management GP1 Limited | LDC (Thurso Street) GP1 Limited |
| LDC (Gt Suffolk St) Management GP2 Limited | LDC (Thurso Street) GP2 Limited |
| LDC (Gt Suffolk St) Management Limited Partnership | LDC (Thurso Street) GP3 Limited |
| LDC (Hampton Street) Limited | LDC (Thurso Street) GP4 Limited |
| LDC (Hillhead) Limited | LDC (Thurso Street) Limited Partnership |
| LDC (Holdings) Limited* | LDC (Thurso Street) Management Limited Partnership |
| LDC (Imperial Wharf) Limited | LDC (Ventura) Limited |
| LDC (International House) Limited | LDC (Vernon Square) Limited |
| LDC (Kelham Island) Limited | LDC (William Morris II) Limited |
| LDC (Leasehold A) Limited | LSAV (Angel Lane) GP3 Limited |
| LDC (Leasehold B) Limited | LSAV (Angel Lane) GP4 Limited |
| LDC (Loughborough) Limited | LSAV (Aston Student Village) GP3 Limited |
| LDC (Magnet Court Leasehold) Limited | LSAV (Aston Student Village) GP4 Limited |
| LDC (Millennium View) Limited | LSAV (Stapleton) GP3 Limited |
| LDC (MTF Portfolio) Limited | LSAV (Stapleton) GP4 Limited |
| LDC (Nairn Street) GP3 Limited | LSAV (Stratford) GP3 Limited |
| LDC (Nairn Street) GP4 Limited | LSAV (Stratford) GP4 Limited |
| LDC (Nairn Street) Holdings Limited | LSAV (Wembley) GP3 Limited |
| LDC (New Wakefield Street) Limited | LSAV (Wembley) GP4 Limited |
| LDC (Newgate) Limited | LSAV Rent Collection Limited |
| LDC (Old Hospital) Limited | Stardesert Limited |
| LDC (Oxford Road Bournemouth) Limited | The Unite Foundation |
| LDC (Portfolio 100) Limited | Unite Accommodation Management Limited |
| LDC (Portfolio 20) Limited | Unite Accommodation Management 2 Limited |

**Registered office and principal place of business: South Quay House, Temple Back, Bristol, United Kingdom. BS1 6FL**

| | |
|---|---|
| Unite Accommodation Management 6 Limited | LSAV (Angel Lane) Management Limited Partnership (50.0%) |
| Unite Accommodation Management 9 Limited | LSAV (Aston Student Village) GP1 Limited (50.0%) |
| Unite Accommodation Management 16 Limited | LSAV (Aston Student Village) GP2 Limited (50.0%) |
| Unite Accommodation Management 18 Limited | LSAV (Aston Student Village) Limited Partnership (50.0%) |
| Unite Accommodation Management 19 Limited | LSAV (Aston Student Village) Management Limited Partnership (50.0%) |
| Unite Accommodation Management 20 Limited | LSAV (Stapleton) GP1 Limited (50.0%) |
| Unite Accommodation Management One Hundred Limited | LSAV (Stapleton) GP2 Limited (50.0%) |
| Unite Construction (Angel Lane) Limited | LSAV (Stapleton) Limited Partnership (50.0%) |
| Unite Construction (Stapleton) Limited | LSAV (Stapleton) Management Limited Partnership (50.0%) |
| Unite Construction (Wembley) Limited | LSAV (Stratford) Management Limited Partnership (50.0%) |
| Unite Finance Limited* | LSAV (Wembley) GP1 Limited (50.0%) |
| Unite Finance One (Accommodation Services) Limited | LSAV (Wembley) GP2 Limited (50.0%) |
| Unite Finance One (Holdings) Limited | LSAV (Wembley) Limited Partnership (50.0%) |
| Unite Finance One (Property) Limited | LSAV (Wembley) Management Limited Partnership (50.0%) |
| Unite FM Limited | UNITE Capital Cities Holdings Limited (50.0%) |
| Unite For Success Limited | Unite Capital Cities Limited Partnership (50.0%) |
| Unite Holdings Limited* | Unite Capital Cities Two Limited Partnership (50.0%) |
| Unite Homes Limited | USAF No 15 Limited Partnership (22.2%) |
| Unite Integrated Solutions plc | USAF No 15 Management Limited Partnership (22.2%) |
| Unite Modular Solutions Limited | USAF No 16 Management Limited Partnership (22.2%) |
| Unite Rent Collection Limited | USAF No 17 Management Limited Partnership (22.2%) |
| Unite Student Living Limited | USAF No 1 Limited Partnership (22.0%) |
| USAF GP No 11 Management Limited | USAF No 6 Limited Partnership (22.0%) |
| USAF LP Limited | USAF No 8 Limited Partnership (22.0%) |
| USAF Management Limited | USAF No 10 Limited Partnership (22.0%) |
| USAF Management 6 Limited | USAF No 11 Limited Partnership (22.0%) |
| USAF Management 8 Limited | USAF No 12 Limited Partnership (22.0%) |
| USAF Management 10 Limited | USAF No 14 Limited Partnership (22.0%) |
| USAF Management 11 Limited | USAF No 18 Limited Partnership (22.0%) |
| USAF Management 12 Limited | USAF No 11 Management Limited Partnership (22.0%) |
| USAF Management 14 Limited | USAF No 14 Management Limited Partnership (22.0%) |
| USAF Management 18 Limited | Filbert Village Student Accommodation Limited Partnership (22.0%) |
| USAF Management GP No 14 Limited | LDC (Nairn Street) Limited Partnership (22.0%) |
| USAF Management GP No 15 Limited | LDC (Nairn Street) Management Limited Partnership (22.0%) |
| USAF Management GP No 16 Limited | Filbert Village GP Limited (13.3%) |
| USAF Management GP No 17 Limited | LDC (Nairn Street) GP1 Limited (13.3%) |
| LDC (Capital Cities Nominee No 1) Limited (50.0%) | LDC (Nairn Street) GP2 Limited (13.3%) |
| LDC (Capital Cities Nominee No 2) Limited (50.0%) | USAF Finance II Limited (13.3%) |
| LDC (Capital Cities Nominee No 3) Limited (50.0%) | USAF GP No 1 Limited (13.3%) |
| LDC (Capital Cities Nominee No 4) Limited (50.0%) | USAF GP No 6 Limited (13.3%) |
| LDC (Capital Cities) Limited (50.0%) | USAF GP No 8 Limited (13.3%) |
| LDC (Ferry Lane 2) GP1 Limited (50.0%) | USAF GP No 10 Limited (13.3%) |
| LDC (Ferry Lane 2) GP2 Limited (50.0%) | USAF GP No 11 Limited (13.3%) |
| LDC (Ferry Lane 2) Limited Partnership (50.0%) | USAF GP No 12 Limited (13.3%) |
| LDC (Ferry Lane 2) Management Limited Partnership (50.0%) | USAF GP No 14 Limited (13.3%) |
| LDC (Stratford) GP1 Limited (50.0%) | USAF GP No 15 Limited (13.3%) |
| LDC (Stratford) GP2 Limited (50.0%) | USAF GP No 18 Limited (13.3%) |
| LDC (Stratford) Limited Partnership (50.0%) | USAF Holdings B Limited (13.3%) |
| LDC Capital Cities Two (GP) Limited (50.0%) | USAF Holdings C Limited (13.3%) |
| LSAV (Angel Lane) GP1 Limited (50.0%) | USAF Holdings H Limited (13.3%) |
| LSAV (Angel Lane) GP2 Limited (50.0%) | USAF Holdings I Limited (13.3%) |
| LSAV (Angel Lane) Limited Partnership (50.0%) | USAF Holdings J Limited (13.3%) |

# Notes to the financial statements continued

## Section 10: Company subsidiaries and joint ventures continued

**Registered office and principal place of business: South Quay House, Temple Back, Bristol, United Kingdom. BS1 6FL**

| | |
|---|---|
| USAF Holdings Limited (13.3%) | USAF Nominee No 11 Limited (13.3%) |
| USAF Nominee No 1 Limited (13.3%) | USAF Nominee No 11A Limited (13.3%) |
| USAF Nominee No 1A Limited (13.3%) | USAF Nominee No 12 Limited (13.3%) |
| USAF Nominee No 6 Limited (13.3%) | USAF Nominee No 12A Limited (13.3%) |
| USAF Nominee No 6A Limited (13.3%) | USAF Nominee No 14 Limited (13.3%) |
| USAF Nominee No 8 Limited (13.3%) | USAF Nominee No 14A Limited (13.3%) |
| USAF Nominee No 8A Limited (13.3%) | USAF Nominee No 18 Limited (13.3%) |
| USAF Nominee No 10 Limited (13.3%) | USAF Nominee No 18A Limited (13.3%) |
| USAF Nominee No 10A Limited (13.3%) | USAF RCC Limited (13.3%) |

**Registered office and principal place of business: Fifth Floor, Peninsular House, 30–36 Monument Street, London, United Kingdom, EC3R 8NB**

| | |
|---|---|
| Liberty Atlantic Point (Liverpool) Limited | Liberty Living Investments Nominee 2 Limited |
| Liberty Heights (Manchester) Limited | Liberty Living Investments Nominee 3 Limited |
| Liberty Living (HE) Holdings Limited | Liberty Living Limited |
| Liberty Living (LH Manchester) Limited | Liberty Living SpareCo Limited |
| Liberty Living (Liberty AP) Limited | Liberty Living UK Limited |
| Liberty Living (Liberty PP) Limited | Liberty Park (Bristol) Limited |
| Liberty Living (LP Bristol) Limited | Liberty Park (US Bristol) Limited |
| Liberty Living (LP Coventry) Limited | Liberty Plaza (London) Limited |
| Liberty Living (LP Manchester) Limited | Liberty Point (Coventry) Limited |
| Liberty Living (LQ Newcastle) Limited | Liberty Point (Manchester) Limited |
| Liberty Living (LQ2 Newcastle) Limited | Liberty Point Southampton (Block A) Limited |
| Liberty Living Finance plc | Liberty Prospect Point (Liverpool) Limited |
| Liberty Living Investments 1 Limited Partnership | Liberty Quay (Newcastle) Limited |
| Liberty Living Investments 2 Limited Partnership | Liberty Quay 2 (Newcastle) Limited |
| Liberty Living Investments 3 Limited Partnership | Liberty Severn Point (Cardiff) Limited |
| Liberty Living Investments GP1 Limited | Liberty Village (Edinburgh) Limited |
| Liberty Living Investments GP2 Limited | LL Midco 2 Limited |
| Liberty Living Investments GP3 Limited | USAF Management 16 Limited |
| Liberty Living Investments II Holdco 2 Limited | USAF Management 17 Limited |
| Liberty Living Investments II Holdco Limited | Liberty Living (LG Cardiff) Limited (22.2%) |
| Liberty Living Investments II Limited | Liberty Living (Liberty CP) Limited (22.2%) |
| Liberty Living Investments Limited | Liberty Living (Liberty SP) Limited (22.2%) |
| Liberty Living Investments Nominee 1 Limited | |

**Registered office and principal place of business: 13 Castle Street, St Helier, Jersey. JE4 5UT**

| | |
|---|---|
| LDC (Gt Suffolk St) Unit Trust | LSAV (Aston Student Village) Unit Trust (50.0%) |
| LDC (St Pancras Way) Unit Trust | LSAV (Holdings) Limited (50.0%) |
| LDC (Thurso Street) Unit Trust | LSAV (Trustee) Limited (50.0%) |
| LSAV (Jersey Manager) Limited | LSAV Unit Trust (50.0%) |
| Unite (Capital Cities) Jersey Limited | Unite Capital Cities Unit Trust (50.0%) |
| USAF Jersey Investments Limited | USAF Portfolio 18 Unit Trust (22.0%) |
| USAF Jersey Manager Limited | LDC (Nairn Street) Unit Trust (21.9%) |
| LDC (Ferry Lane 2) Unit Trust (50.0%) | Unite UK Student Accommodation Fund (13.3%) |
| LDC (Stratford) Unit Trust (50.0%) | |

**Registered office and principal place of business: Third Floor, La Plaiderie Chambers, St Peter Port, Guernsey. GY1 1WG**

| | |
|---|---|
| USAF Feeder Guernsey Limited (45.20%) | USAF 15 NRL Limited (22.2%) |
| USAF Portfolio 15 Unit Trust (22.2%) | USAF Portfolio 17 Unit Trust (22.2%) |
| USAF Portfolio 16 Unit Trust (22.2%) | |

**Registered office and principal place of business: Saltire Court, 20 Castle Terrace, Edinburgh. EH1 2 EN**

| | |
|---|---|
| LSAV (GP) Limited (50.00%) | LSAV (Property Holdings) Limited Partnership (50.00%) |

**Registered office and principal place of business: Trident Chambers, Wickhams Cay, P.O. Box 146, Road Town, Tortola, British Virgin Islands**

| | |
|---|---|
| Liberty Park (Bedford) Limited | Liberty Plaza (Newcastle) Limited |

**Registered office and principal place of business: Third Floor, Barclays House, Victoria Street, Douglas, Isle of Man. IM1 2LE**

Filbert Street Student Accommodation Unit Trust (21.9%)

**Registered office and principal place of business: 47 Esplanade, St Helier, St Helier, Jersey, JE1 0BD**

Liberty Living Group Plc*

**Registered office and principal place of business: Room 507, Floor 5, Block 1, Building No. 10, Jintong Road West, Chaoyang District, Beijing, People's Republic of China**

Unite Students Accommodation (Beijing) Business Service Company Limited

* Held directly by the Company.

# Financial Record

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| EPRA earnings (£m) | **111** | 88 | 71 | 61 | 50 |
| EPRA earnings per share (pence) | **39** | 34 | 30 | 28 | 29 |
| Adjusted EPRA earnings per share (pence) | **39** | 34 | 30 | 28 | 23 |
| IFRS (loss)/profit before tax (£m) | **(101)** | 246 | 229 | 201 | 388 |
| IFRS (loss)/earnings per share (pence) | **(32)** | 91 | 95 | 101 | 164 |
| EPRA net assets (£m) | **3,110** | 2,085 | 1,740 | 1,557 | 1,394 |
| EPRA NAV per share (pence) | **853** | 790 | 720 | 646 | 579 |
| IFRS net assets (£m) | **3,072** | 2,073 | 1,729 | 1,452 | 1,275 |
| IFRS NAV per share (pence) | **845** | 787 | 717 | 653 | 574 |
| LTV (%) | **37%** | 29% | 31% | 34% | 35% |
| Managed portfolio value (£m) | **7,702** | 4,994 | 4,612 | 4,327 | 3,827 |

# Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of The Unite Group PLC (the Company) will be held at the Company's registered office at South Quay, Temple Back, Bristol BS1 6FL at 9.30 a.m. on 7 May 2020 for the purpose of considering and, if thought fit, passing Resolutions 1, 2 and 4 to 17 as ordinary resolutions and Resolutions 18 to 20 as special resolutions.

As noted in the Company's announcement on 25 March 2020, the Board has decided to cancel the final dividend for 2019 and suspend further distributions by the Company until market conditions stabilise.

## Ordinary resolutions

### Annual Report and Accounts

1. To receive the audited annual accounts of the Company for the year ended 31 December 2019 together with the Directors' Report, the Strategic Report and the auditor's report on those annual accounts (the Annual Report and Accounts).

### Annual Report on Remuneration

2. To approve the Directors' Remuneration Report (set out on pages 119 to 147 in the Annual Report and Accounts).
3. [*Deliberately left blank*].

### Election and Re-election of Directors

4. To re-elect Mr Phil White as a Director of the Company.
5. To re-elect Mr Richard Smith as a Director of the Company.
6. To re-elect Mr Joe Lister as a Director of the Company.
7. To re-elect Ms Elizabeth McMeikan as a Director of the Company.
8. To re-elect Mr Ross Paterson as a Director of the Company.
9. To re-elect Mr Richard Akers as a Director of the Company.
10. To re-elect Mrs Ilaria del Beato as a Director of the Company.
11. To elect Dame Shirley Peace as a Director of the Company.
12. To elect Mr Thomas Jackson as a Director of the Company.
13. To elect Sir Steve Smith as a Director of the Company.

### Auditors

14. To reappoint Deloitte LLP as auditor of the Company to hold office until the conclusion of the next General Meeting at which accounts are laid before the Company.
15. To authorise the Audit Committee of the Board to determine the remuneration of the auditor.

# Notice of Annual General Meeting continued

### Authority to allot shares

16. THAT, in substitution for any equivalent authorities and powers granted to the Directors prior to the passing of this Resolution, the Directors be and are generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the Act):

    (a) To exercise all powers of the Company to allot shares in the Company, and grant rights to subscribe for or to convert any security into shares of the Company (such shares, and rights to subscribe for or to convert any security into shares of the Company being 'relevant securities'), up to an aggregate nominal amount of £30,299,637 (representing approximately one-third of the nominal value of the issued ordinary share capital of the Company as at the date of this notice), such amount to be reduced by the nominal amount of any allotments or grants made under paragraph (b) below in excess of £30,299,637;

    (b) To allot equity securities (as defined in Section 560(1) of the Act) up to an aggregate nominal amount of £60,599,274 (representing approximately two-thirds of the nominal value of the issued ordinary share capital of the Company as at the date of this notice) (such amount to be reduced by the nominal amount of any allotments or grants made under paragraph (a) above) in connection with an offer by way of rights issue:

        (i) In favour of holders of ordinary shares in the capital of the Company at such record date as the Directors may determine, where the equity securities respectively attributable to the interests of such holders are proportionate (as nearly as practicable) to the respective number of ordinary shares in the capital of the Company held by them on any such record date;

        (ii) To holders of any other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary,

    in each case subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with in relation to treasury shares, fractional entitlements or legal, regulatory or practical problems arising under the laws or requirements of any overseas territory or by virtue of shares being represented by depository receipts or the requirements of any relevant regulatory body or stock exchange or any other matter whatsoever, provided that this authority shall expire (unless previously renewed, varied, extended or revoked by the Company in general meeting) on 6 August 2021 being the date falling 15 months from the passing of this Resolution or, if earlier, at the conclusion of the next Annual General Meeting of the Company to be held following the passing of this Resolution, save that the Company may at any time before such expiry make an offer or enter into an agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities pursuant to such offer or agreement as if this authority had not expired.

### Renewal of the Savings-Related Share Option Scheme

17. THAT:

    (a) The Unite Group PLC Savings-Related Share Option Scheme ('SAYE') in the form produced to the meeting and initialled by the Chairman for the purposes of identification, the principal terms of which are set out in the Appendix to the Notice of Annual General Meeting, be approved for operation for a further period of ten years; and

    (b) The Directors be authorised to establish further plans for the benefit of employees outside the UK, based on the SAYE but modified to take account of local tax, exchange control or securities laws in overseas territories, provided that any shares made available under such plans are treated as counting against the limits on individual and overall participation contained in the SAYE.

## Special resolutions

### Authority to disapply pre-emption rights

18. That if Resolution 16 (Authority to allot shares) is passed, the Board be authorised pursuant to section 570 and section 573 of the Companies Act 2006 to allot equity securities (as defined in the Companies Act 2006) for cash under the authority given by that resolution and/or to sell ordinary shares held by the Company as treasury shares for cash as if section 561(1) of the Companies Act 2006 did not apply to any such allotment or sale, such authority to be limited:

(a) To the allotment of equity securities or sale of treasury shares in connection with an offer of securities (but in the case of the authority granted under paragraph (b) of Resolution 16 by way of rights issue only) in favour of holders of ordinary shares in the capital of the Company at such record date as the Directors may determine and other persons entitled to participate therein where the equity securities respectively attributable to the interests of such holders are proportionate (as nearly practicable) to the respective number of ordinary shares in the capital of the Company held by them on any such record date, subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with in relation to treasury shares, fractional entitlements or legal, regulatory or practical problems arising under the laws or requirements of any overseas territory or by virtue of shares being represented by depository receipts or the requirements of any relevant regulatory body or stock exchange or any other matter whatsoever; and

(b) To the allotment of equity securities or sale of treasury shares (otherwise than under paragraph (a) above) up to a nominal amount of £4,544,945 (this amount representing not more than five per cent of the nominal value of the issued ordinary share capital of the Company as at the date of this notice),

such authority to expire at the end of the next Annual General Meeting of the Company (or, if earlier, at the close of business on 6 August 2021, this being the date which is 15 months after the date of this meeting) but, in each case, prior to its expiry the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the authority expires and the Board may allot equity securities (and sell treasury shares) pursuant to any such offer or agreement as if the authority had not expired.

19. That if Resolution 16 (Authority to allot shares) is passed, the Board be authorised pursuant to section 570 and section 573 of the Companies Act 2006 in addition to any authority granted under Resolution 18 to allot equity securities (as defined in the Companies Act 2006) for cash under the authority given by that resolution and/or to sell ordinary shares held by the Company as treasury shares for cash as if section 561(1) of the Companies Act 2006 did not apply to any such allotment or sale, such authority to be:

(a) limited to the allotment of equity securities or sale of treasury shares up to a nominal amount of £4,544,945 (this amount representing not more than 5 per cent of the nominal value of the issued ordinary share capital of the Company as at the date of this notice); and

(b) used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the Board of the Company determines to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice,

such authority to expire at the end of the next Annual General Meeting of the Company (or, if earlier, at the close of business on 6 August 2021, this being the date which is 15 months after the date of this meeting) but, in each case, prior to its expiry the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the authority expires and the Board may allot equity securities (and sell treasury shares) pursuant to any such offer or agreement as if the authority had not expired.

### Notice of General Meetings

20. That, a general meeting other than an Annual General Meeting, may be called on not less than 14 clear days' notice.

By order of the Board

**Christopher Szpojnarowicz**
**Company Secretary**
31 March 2020

Registered office:
South Quay House
Temple Back
Bristol BS1 6FL

Registered in England and Wales with registered number 03199160

# Notice of Annual General Meeting continued

## Notes

1. A member of the Company who wishes to attend the meeting in person should arrive at South Quay, Temple Back, Bristol BS1 6FL in good time before the meeting, which will commence at 9.30 a.m. In order to gain admittance to the meeting, members may be required to produce their attendance card, which is attached to the form of proxy enclosed with this document, or otherwise prove their identity.
2. A member of the Company who is entitled to attend, speak and vote at the meeting and who is unable or does not wish to attend the meeting is entitled to appoint a proxy to exercise all or any of his/her rights to attend and to speak and vote on his/her behalf at the meeting. A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares (so a member must have more than one share to be able to appoint more than one proxy). A proxy need not be a member of the Company but must attend the meeting to represent his/her appointing member. Appointing a proxy will not prevent a member from attending in person and voting at the meeting although voting in person at the meeting will terminate a member's proxy appointment. A proxy must vote in accordance with any instructions given by the member by whom the proxy is appointed. A form of proxy which may be used to make such appointment and give proxy instructions accompanies this notice. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
3. To be valid, any form of proxy, and the original or duly certified copy of the power of attorney or other authority (if any) under which it is signed or authenticated, must be received by hand or by post at Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, no later than 9.30 a.m. on 5 May 2020.
4. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) thereof by following the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider, should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
5. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's (Euroclear) specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy, the revocation of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be a valid, be transmitted so as to be received by the Company's agent (CREST ID 3RA50) by the latest time for receipt of proxy appointments specified in note 3 above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
6. CREST members and, where applicable, their CREST sponsors or voting service providers, should note that Euroclear does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his/her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
7. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001 (as amended).
8. If you would like to submit your proxy vote via the internet, you can do so by accessing our registrar's website (www.eproxyappointment.com). You will require the control number, your unique PIN (which will expire at the end of the voting period) and your Shareholder Reference Number (SRN), printed on the proxy card, in order to log in and submit your proxy vote electronically. You can access this site from any internet enabled PC. If you submit your proxy via the internet it should reach the registrar by 9.30 a.m. on 5 May 2020. Should you complete your proxy form electronically and then post a hard copy, the form that arrives last will be counted to the exclusion of instructions received earlier, whether electronic or posted. Please refer to the terms and conditions of the service on the website.
9. In the case of joint holders of shares, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).
10. If you submit more than one valid proxy appointment in respect of the same shares, the appointment received last before the latest time for the receipt of proxies will take precedence.
11. Any person to whom this notice has been sent who is a person nominated under section 146 of the Act to enjoy information rights (a Nominated Person) may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
12. The statement of the rights of shareholders in relation to the appointment of proxies above does not apply to Nominated Persons. These rights can only be exercised by shareholders of the Company.

13. Pursuant to Part 13 of the Companies Act 2006 and Regulation 41 of the Uncertificated Securities Regulations 2001 (as amended), the Company specifies that only those shareholders registered in the register of members of the Company at 5.00 p.m. on 5 May 2020 (or, if the meeting is adjourned, 48 hours before the timed fixed for the adjourned meeting) shall be entitled to attend or vote at the meeting in respect of the number of shares registered in their name at that time. In each case, changes to the register of members of the Company after such time shall be disregarded in determining the rights of any person to attend or vote at the meeting.
14. As at the date of this notice, the Company's issued share capital comprised 363,595,805 ordinary shares carrying one vote each at a general meeting of the Company. No ordinary shares were held in treasury and therefore the total voting rights in the Company as at the date of this notice are 363,595,805.
15. You may not use any electronic address provided either in this notice of meeting or any related documents (including the proxy form) to communicate with the Company for any purposes other than those expressly stated.
16. The Company must cause to be answered at the meeting any question relating to the business being dealt with at the meeting which is put by a member in attendance, except (i) if to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (ii) if the answer has already been given on a website in the form of an answer to a question, or (iii) if it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
17. The following information is available at www.unite-group.co.uk
    (1) the matters set out in this notice of Annual General Meeting;
    (2) the total numbers of shares in the Company in respect of which members are entitled to exercise voting rights at the meeting;
    (3) the totals of the voting rights that members are entitled to exercise at the meeting; and
    (4) members' statements, members' resolutions and members' matters of business received by the Company after the date on which notice of the meeting was given.
18. It is possible that, pursuant to requests made by members of the Company under Section 527 of the Act, the Company may be required to publish on a website a statement setting out any matter relating to: (a) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the meeting; or (b) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with Section 437 of the Act. The Company may not require the members requesting any such website publication to pay its expenses in complying with Sections 527 or 528 of the Act. Where the Company is required to place a statement on a website under Section 527 of the Act, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required under Section 527 of the Act to publish on a website.
19. Under sections 338 and 338A of the Companies Act 2006, members meeting the threshold requirements in those sections have the right to require the Company: (i) to give, to members of the Company entitled to receive notice of the meeting, notice of a resolution which those members intend to move (and which may properly be moved) at the meeting; and; (ii) to include in the business to be dealt with at the meeting any matter (other than a proposed resolution) which may properly be included in the business at the meeting, providing in each case that the requirements of those sections are met and that the request is received by the Company not later than six clear weeks before the meeting or if later the time at which notice is given of the meeting.
20. A member that is a company or other organisation not having a physical presence cannot attend in person but can appoint someone to represent it. This can be done in one of two ways: either by the appointment of a proxy (as described in the notes above) or of a corporate representative. Members considering the appointment of a corporate representative should check their own legal position, the Company's articles of association and the relevant provisions of the Act.
21. The following documents are available for inspection at the registered office of the Company during the usual business hours on any weekday (Saturday, Sunday or public holidays excluded) from the date of this notice until the conclusion of the meeting and will also be available for inspection at the place of the meeting from 9.15 a.m. on the day of the meeting until its conclusion:
    (a) copies of the Executive Directors' service contracts with the Company and any of its subsidiary undertakings; and (b) letters of appointment of the Non-Executive Directors.
22. A copy of the rules of the Unite Group PLC Savings-Related Share Option Scheme are available for inspection at the registered office of the Company and at the offices of Herbert Smith Freehills LLP during the usual business hours on any weekday (Saturday, Sunday or public holidays excluded) from the date of this notice until the conclusion of the meeting and will also be available for inspection at the place of the meeting from 9.15 a.m. on the day of the meeting until its conclusion.

# Notice of Annual General Meeting continued

## Appendix

The main terms of the Unite Group PLC Savings-Related Share Option Scheme ('**SAYE**') are described below. The SAYE is a UK tax-advantaged all-employee Save As You Earn option plan governed by relevant UK statutory provisions.

### Administration

Options may be granted, and the SAYE is administered, by the Board of Directors, or a duly authorised Committee of the Board of Directors (the '**Board**').

### Eligibility

The Board may at any time designate any subsidiary of the Company as a 'Participating Company', and the SAYE will then be open to all employees of any Participating Company who meet the eligibility criteria ('**Eligible Employees**').

### Timing of grant

Options under the SAYE may, save in exceptional circumstances, only be granted pursuant to invitations which have been issued within a period of 42 days following the date of announcement by the Company of its interim or final results.

No options may be granted under the SAYE more than 10 years after shareholders have approved the extension of the plan.

### Savings arrangements

Eligible Employees who apply for an option must enter into an HM Treasury certified savings arrangement. Under these arrangements, the Eligible Employee will agree to make monthly savings contributions of a fixed amount within statutory limits (currently up to a maximum of £500). Shares may only be acquired on the exercise of the option using the repayment of accrued savings and interest (if any) under the savings arrangements.

### Exercise Price

The price payable for each share under an option will be determined by the Board prior to grant, provided that it must not be less than 80 per cent of the market value of a share at the time that invitations for options are issued.

### Exercise of options

An option may not normally be exercised until the participant has completed making contributions under his or her savings arrangements (which will be either three or five years from the date of entering into those savings arrangements) and then the option will be capable of exercise for not more than six months thereafter.

### Leavers

Options will normally lapse where the participant ceases to hold office or employment with the Company or any subsidiary (the '**Group**'). Options will not lapse where the cessation of office or employment with a Participating Company is due to death; injury; disability; redundancy; retirement; the transfer of the participant's employment outside of, or the Company with which the participant holds office or employment ceasing to be a member of, the Group; or, where the cessation occurs more than three years after grant, for any reason other than due to misconduct (a '**Good Leaver**').

Where a participant ceases employment for a Good Leaver reason, the option will be capable of exercise, for a period of six months from the date of cessation (or 12 months in the case of death), only to the extent of accrued savings and interest, if any, to the date of exercise.

### Corporate actions

Options may be exercised in the event of a change of control by way of general offer, a court sanctioning a compromise or arrangement of the Company, or a voluntary winding up of the Company. In such circumstances, options may be exercised, for a period of up to six months, to the extent of accrued savings and interest, if any, to the date of exercise.

In the event of a change of control of the Company, an acquiring company may offer a roll-over into an option over shares in the acquiring company, subject to complying with the statutory requirements.

### Non-Transferable and Non-Pensionable

Options are non-transferable, save to personal representatives following death, and do not form part of pensionable earnings.

### Plan Limits

Shares may be newly issued, transferred from treasury or market purchased for the purposes of the SAYE.

Options may not be granted on terms capable of being satisfied by newly issued shares if to do so would cause the number of shares which may be issued pursuant to outstanding options or awards granted within the previous 10 years under the SAYE and any other employees' share scheme established by the Company, when added to the number of shares issued for the purpose of any such options and awards, to exceed 10 per cent of the Company's ordinary share capital in issue immediately prior to the proposed date of grant.

These limits do not include rights to shares which have been released, lapsed or otherwise become incapable of exercise or vesting.

Treasury shares will count as new issue shares for the purpose of these limits for so long as institutional investor bodies consider that they should be so counted.

### Variation of capital

The number of shares subject to options and/or the option exercise price may be adjusted, in such manner as the Board may determine, following any variation of share capital of the Company, subject to the applicable statutory requirements being complied with.

### Alterations

The Board may amend the rules of the SAYE as it considers appropriate, subject to any relevant legislation, provided that no modification may be made which confers any additional advantage on participants relating to eligibility, plan limits, the basis of individual entitlement, the price payable for the acquisition of shares and the provisions for the adjustment of options without prior shareholder approval, except in relation to amendments which are minor amendments to benefit the administration of the SAYE, to take account of a change in legislation, or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or any Group company.

# Glossary

| | |
|---|---|
| **Adjusted EPRA Earnings** | Adjusted EPRA earnings are prepared on the basis of EPRA earnings excluding the yield related element of the USAF performance fee. |
| **Adjusted EPRA Earnings per share** | The earnings per share based on Adjusted EPRA Earnings. |
| **Adjusted net debt** | The Group's debt, net of cash and unamortised debt raising costs, excluding the mark to market of interest rates swaps. |
| **Basis points (BPS)** | A basis point is a term used to describe a small percentage, usually in the context of change, and equates to 0.01%. |
| **Direct let** | Properties where short-hold tenancy agreements are made directly between Unite and the student. |
| **EBIT** | The Group's NOI plus management fees and less operating expenses. |
| **EBITDA** | The Group's EPRA earnings before charging interest, tax, depreciation and amortisation. The profit number is used to calculate the ratio to net debt. |
| **EBIT margin** | The Group's EBIT expressed as a percentage of rental income. |
| **EPRA** | The European Public Real Estate Association, who produce best practice recommendations for financial reporting. |
| **EPRA earnings** | EPRA earnings exclude movements relating to changes in values of investment properties and interest rate swaps and the related tax effects. |
| **EPRA earnings per share** | The earnings per share based on EPRA earnings. |
| **EPRA NAV** | EPRA NAV includes all property at market value but excludes the mark to market of financial instruments and deferred tax. EPRA NAV provides a consistent measure of NAV on a going concern basis. |
| **EPRA net asset value per share** | The diluted NAV per share figure based on EPRA NAV. |
| **EPRA NNNAV** | EPRA NAV adjusted for the fair value of debt and financial instruments and deferred tax. EPRA NNNAV provides a 'spot' measure of NAV with all assets and liabilities at their fair value. |
| **ESG** | Environmental, Social and Governance. |
| **GRESB** | GRESB is a benchmark of the Environmental, Social and Governance (ESG) performance of real assets. |
| **Gross asset value (GAV)** | Rental properties, plus leased properties and development properties. GAV is reported on a fair value basis. |
| **Gross financing costs** | All interest paid by the Group, including those capitalised into developments and operating lease rentals. It includes all receipts and payments under interest rate swaps whether they are effective or ineffective under IFRS. |
| **The Group** | Wholly owned balances plus Unite's interests relating to USAF and LSAV. |
| **Group debt** | Wholly owned borrowings plus Unite's share of borrowings attributable to USAF and LSAV. |
| **Interest cover ratio (ICR)** | Calculated as EBIT divided by the sum of net financing costs and IFRS 16 lease liability interest costs. |
| **Lease** | Properties which are leased to Universities for a number of years and have no Unite management presence. |
| **Like-for-like rental growth** | Like-for-like rental growth is the growth in gross rental income on properties owned throughout the current and previous years under review. |
| **Loan to value (LTV)** | Net debt as a proportion of the carrying value of the total property portfolio, excluding balances recognised in respect of leased properties under IFRS 16. |
| **LSAV** | The London Student Accommodation Joint Venture (LSAV) is a joint venture between Unite and GIC, in which both hold a 50% stake. LSAV has a maturity date of September 2022. |

## Glossary continued

| | |
|---|---|
| **Major Provincial** | Properties located in Aberdeen, Birmingham, Cardiff, Durham, Glasgow, Leeds, Leicester, Liverpool, Newcastle, Nottingham, Sheffield and Southampton. |
| **Net debt** | Group debt, net of cash and unamortised debt issue costs, excluding IFRS 16 investment property (leased) and associated lease liabilities. |
| **Net debt: EBITDA** | Group debt, net of cash and unamortised debt issue costs, excluding lease liabilities for all leased properties and mark to market of interest rate swaps as a proportion of EBITDA. |
| **Net financing costs (EPRA)** | Gross financing costs net of interest capitalised into developments and interest received on deposits. |
| **Net initial yield (NIY or yield)** | The net operating income generated by a property expressed as a percentage of its value, taking into account notional acquisition costs. |
| **Net operating income (NOI)** | The Group's rental income from rental properties (owned and leased) less those operating costs directly related to the property, therefore excluding central overheads. |
| **NOI margin** | The Group's NOI expressed as a percentage of rental income. |
| **Nomination agreements** | Properties where Universities have entered into a contract to guarantee occupancy. The Universities nominate students to live in the building and Unite enters into short-hold tenancies with the students. |
| **Other provincial** | Properties located in Bedford, Bournemouth, Coventry, Exeter, Loughborough, Medway, Preston, Portsmouth, Reading, Stoke, Swindon and Wolverhampton. |
| **Prime provincial** | Properties located in Bristol, Bath, Edinburgh, Manchester and Oxford. |
| **Rental properties** | Investment properties whose construction has been completed and are used by the Operations segment to generate NOI. |
| **Rental properties (leased)/ Sale and leaseback** | Properties that have been sold to a third party investor then leased back to the Group. Unite is also responsible for the management of these assets on behalf of the owner. |
| **See-through (also Unite share)** | Wholly owned balances plus Unite's share of balances relating to USAF and LSAV. |
| **Total accounting return** | Growth in EPRA NAV per share plus dividends paid, expressed as a percentage of EPRA NAV per share at the beginning of the period. |
| **Total shareholder return** | The growth in value of a shareholding over a specified period, assuming dividends are reinvested to purchase additional shares. |
| **USAF/the fund** | The Unite UK Student Accommodation Fund (USAF) is Europe's largest fund focused purely on income-producing student accommodation investment assets.<br>The fund is an open- ended infinite life vehicle with unique access to Unite's development pipeline. Unite acts as fund manager for the fund, as well as owning a significant minority stake. |
| **WAULT** | Weighted average unexpired lease term to expiry. |
| **Wholly owned** | Balances relating to properties that are 100% owned by The Unite Group PLC or its 100% subsidiaries. |

# Company Information

## Unite Group

### Executive Team

**Richard Smith**

Chief Executive Officer

**Joe Lister**

Chief Financial Officer

### Registered Office

South Quay House, Temple Back, Bristol BS1 6FL

### Registered Number in England

03199160

### Company Secretary

**Christopher Szpojnarowicz**

### Auditor

**Deloitte LLP**

1 New Street Square, London EC4A 3HQ

### Financial Advisers

**J.P. Morgan Cazenove**

25 Bank Street, London E14 5JP

**Numis Securities**

The London Stock Exchange Building
10 Paternoster Square, London EC4M 7LT

### Registrars

**Computershare Investor Services plc**

PO Box 82
The Pavilions
Bridgwater Road
Bristol
BS99 7NH

### Financial PR Consultants

**Powerscourt**

1 Tudor Street London EC4Y OAH

**THIS REPORT IS COMPLEMENTED BY A RANGE OF ONLINE INFORMATION ABOUT OUR BUSINESS INCLUDING OUR OPERATIONS AND PROPERTY DIVISIONS, OUR MARKETS, AND OUR APPROACH TO BEING A RESPONSIBLE BUSINESS.**

**Find out more online at www.unite-group.co.uk**

Designed and produced by **emperor**
Visit us at **emperor.works**

UNITE STUDENTS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