PRESS RELEASE

29 July 2020

THE UNITE GROUP PLC

("Unite Students", “Unite”, the "Group", or the "Company")

HALF YEAR RESULTS FOR THE SIX MONTHS TO 30 JUNE 2020

Richard Smith, Chief Executive of Unite Students, commented:

“I am proud of the response of our business through this uniquely challenging period. Our focus has been on doing the right thing for all stakeholders. We were the first student accommodation provider to forgo summer term rents and one of the first to have Covid Secure status accredited by the British Safety Council. I believe our decisive actions have enhanced our reputation with Universities, students and parents.

“We have growing visibility over our income for 2020/21 and our market-leading operating platform gives us the flexibility to rapidly adjust marketing strategies in response to changes in demand. 97% of Universities plan to provide in-person teaching this Autumn and UCAS data reveals a record share of 18-year-olds applying to University. With the Government providing strong financial support, we are confident in the prospects for the UK’s world-class Higher Education sector and expect strong demand for the 2021/22 academic year.

“We see significant opportunities for growth through University Partnerships, new developments and by attracting more of the 855,000 students currently living in Houses of Multiple Occupancy. The proceeds of our recent placing will be used to accelerate growth opportunities in those markets where we see strongest demand from students.”

	H1 2020	H1 2019	FY2019	Change
EPRA earnings[1,3]	£74.8m	£61.2m	£110.6m	22%
EPRA earnings per share[1,3]	20.5p	23.2p	39.1p	(12)%
(Loss)/profit before tax	£(73.9)m	£125.5m	£(101.2)m	n/m
Dividend per share	0.0p	10.25p	10.25p	(100)%
Total accounting return[1]	(2.3)%	6.3%	11.7%	
EBIT margin[1]	71.7%	76.0%	71.7%	
As at	**30 June 2020**	**30 June 2019**	**31 December 2019**	**Change from 31 December 2019**
EPRA NAV per share[1]	833p	820p	853p	(2)%
EPRA NTA per share[1]	828p	812p	847p	(2)%
IFRS NAV	£3,273m	£2,165m	£3,072m	7%
Net debt[2]	£1,688m	£897m	£1,884m	(10)%
Loan to value[2]	33%	29%	37%	

HIGHLIGHTS

EPRA earnings of £74.8 million, up 22% (H1 2019: £61.2 million) and EPRA EPS of 20.5 pence, down 12% (H1 2019: 23.2 pence)[3]

- Reflecting the acquisition of Liberty Living in H2 2019 and rent forgone for the summer term of 2019/20 in response to Covid-19
- Loss before tax of £73.9 million (H1 2019: £125.5 million profit), driven by a valuation loss of £138.4 million in the period (H1 2019: £74.3 million gain)
- (2.3)% total accounting return (H1 2019: 6.3%)
- Guidance for EPRA EPS of 22-25 pence for FY2020 (2019: 39.1 pence)
- Anticipate reinstating dividend payments following the start of the 2020/21 academic year, assuming occupancy and income in line with our expectations and a positive outlook for 2021/22

Focused on doing the right thing for students, employees and other stakeholders

- First PBSA provider to forgo summer term rents for students returning home
- First student accommodation provider to have Covid Secure status accredited by the British Safety Council
- Decisive actions have enhanced our reputation with Universities, creating new partnership opportunities

Growing visibility and confidence over income for the 2020/21 academic year

- 97% of Universities plan to provide in-person teaching in the Autumn term of 2020/21[4]
- 1% growth in UCAS acceptances compared to 2019/20, reflecting record participation from 18-yearolds. Deferrals also reduced YoY, albeit higher risk around international student numbers
- Reservations for 2020/21 academic year at 84% (2019/20: 93%), of which half underpinned by nomination agreements
- Targeting 90% occupancy for 2020/21, resulting in a 10-20% anticipated reduction in rental income compared to 2019/20 (prior to the impact of cancellations in 2019/20 due to Covid-19)

Growing pipeline of University Partnerships and developments, driving future earnings growth

- Secured pipeline of 5,370 beds (2019: 6,580 beds), generating a 6.6% yield on cost
- £300 million placing, enabling continued investment in the company's best-in-class platform
  - Exchanged contracts for a 300-bed development site in central Edinburgh
  - Two further sites currently under offer for a total development cost of c.£225 million
- Continue to see opportunities to add to University Partnership and development pipeline at enhanced returns

Successful integration of Liberty Living

- All Liberty Living employees and properties now moved across to the Unite operating platform

- Secured cost synergies of £5-6 million in 2020 and £15 million p.a. from 2021
- Now targeting additional costs synergies from energy efficiency and procurement

High-quality portfolio aligned to the strongest Universities

- 76,354 operational beds for 2020/21 academic year, with a value of £7.8 billion; Unite share £5.0 billion (31 December 2019: 74,108 beds, valued at £7.7 billion; Unite share £4.8 billion)
- EPRA NAV of 833 pence, down 2% (31 December 2019: 853 pence)
- IFRS NAV of £3,273 million, up 7% (31 December 2019: £3,072 million)
- 2.6% reduction in property values in H1 on a like-for-like basis, reflecting income deductions for disruption to rental income and stable property yields
- Removal of material uncertainty clause for valuations of student accommodation by RICS post-period end
- 88% of Unite's portfolio located at High and Mid-ranked Universities (30 June 2019: 90%)

Robust balance sheet and liquidity position

- LTV of 33% at 30 June[2] (31 December 2019: 37%), maintaining 35% target over the medium-term
- Planned repayment of £207 million of Group secured debt at a blended coupon of 4.8%, incurring swap breakage costs of £24 million
- Continued targeting of disposals in 2020 and 2021 to enhance portfolio quality

1. The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). These financial highlights are based on the European Public Real Estate Association (EPRA) best practice recommendations and these performance measures are published as they are intended to help users in the comparability of these results across other listed real estate companies in Europe. The metrics are also used internally to measure and manage the business and to align to the performance related conditions for Directors' remuneration. See glossary for definitions
2. Excludes IFRS 16 related balances recognised in respect of leased properties. See glossary for definitions
3. Excludes integration and acquisition costs in relation to the acquisition of Liberty Living
4. Universities UK survey published 17 June 2020

PRESENTATION

There will be a presentation for analysts and investors this morning at 8:15 a.m. A live webcast can be accessed via this link. To register for the event or to receive dial-in details, please contact unite@powerscourt-group.com.

For further information, please contact:

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OVERVIEW

The Covid-19 pandemic has made for a uniquely challenging period for the business. Against this backdrop, I am proud of our response. Our focus has been on doing the right thing for all our customers, employees and other stakeholders. Our recent £300 million placing also positions us to capitalise on growth opportunities arising from disruption caused by Covid-19.

With 76,000 operational beds across 27 cities for the 2020/21 academic year, we have a best-in-class platform that is able to quickly adapt to changing operating conditions. Following the onset of the Covid-19 pandemic in March, most UK Universities chose to close their campuses, suspending all face-to-face teaching for the remainder of the 2019/20 academic year. In response, Unite was the first corporate PBSA provider to offer students refunds on their summer term rents.

Our results in the first half reflect the disruption caused by Covid-19 and our acquisition of Liberty Living's 24,000-bed portfolio, which completed in November 2019. Reflecting the increased scale of the portfolio, EPRA earnings for the six months increased by 22% to £74.8 million (H1 2019: £61.2 million). This translates to a 12% reduction in EPRA EPS to 20.5 pence (H1 2019: 23.2 pence) due to the impact of our decision to forgo summer term rents and the increased share count associated with the Liberty Living acquisition.

We anticipate reinstating dividend payments later in the year, on the basis of delivering, supportive of our guidance for EPRA EPS of 22-25 pence for FY 2020 and a continuing positive outlook for the 2021/22 academic year.

EPRA NAV per share reduced by 2% to 833 pence (31 December 2019: 853 pence) which, given no dividends were paid in the period, translates to a total accounting return of (2.3)% in the first six months of the year (H1 2019: 6.3%). The Group recorded an IFRS loss before tax of £73.9 million (H1 2019: £125.5 million profit), driven by a valuation loss resulting from income reductions as a result of Covid-19.

Our key financial performance indicators are set out below:

Financial highlights	H1 2020	H1 2019	FY2019
EPRA earnings	£74.8m	£61.2m	£110.6m
EPRA EPS	20.5p	23.2p	39.1p
Dividend per share	0.0p	10.25p	10.25p
Total accounting return	(2.3)%	6.3%	11.7%
(Loss)/profit before tax	£(73.9)m	£125.5m	£(101.2)m
Basic EPS	(20.4)p	53.3p	(31.5)p
EPRA NAV per share	833p	820p	853p
EPRA NTA per share	828p	812p	847p
See-through LTV ratio	33%	29%	37%

We have increasing visibility over income as we approach the start of the 2020/21 academic year. Reservations are currently at 84% (2019/20: 93%), of which over half are underpinned by nomination agreements. Reflecting delays by some students and Universities in making their accommodation choices at this stage, we expect a higher than usual volume of sales activity later in the booking cycle.

We are targeting 90% occupancy for 2020/21 (2019/20: 98%), underpinned by the income security provided by our multi-year nomination agreements. Overall, we expect a 10-20% reduction in rental income for 2020/21 compared to 2019/20 (prior to the impact of cancellations in 2019/20 due to Covid-19), which also includes contingency for a reduction in pricing and shorter tenancy lengths.

We have adapted our marketing efforts to place a greater emphasis on domestic students and those international students already in the UK. The success of this approach can be seen in the increased share of 2nd and 3rd-year UK customers, who account for 28% of direct-let bookings to date compared to 24% in 2019/20. Including international customers, 2nd and 3rd-year customers account for 56% of all direct-let bookings secured to date for 2020/21 (2019/20: 52%).

Our response to Covid-19

As mitigation for the rent refunds for those students who returned home, we have taken various actions to conserve cash in the business and reduce costs. This included the delay of our two 2021 development completions into 2022, deferral of non-essential operational capex and £12-15 million of cost savings from insourcing of work over the summer, savings to utility and broadband costs and reductions in salary and pensions for Executive Directors, Non-Executive Directors and senior managers for a four-month period from 1 April. The Company did not furlough any employees under the Government's Coronavirus job retention scheme. We also took the decision to cancel the 2019 final dividend to conserve cash in the business.

We are introducing a number of new and enhanced Covid-19 secure operating practices to comply with Government guidance, all of which can be delivered without an increase in operating costs due to efficiencies achieved in other areas. Reflecting these measures, we were the first UK student accommodation provider to receive a Covid assurance statement from the British Safety Council (BSC) and have been accredited as a BSC Covid Secure accredited workplace.

Strong student demand

We know through our own research that students are keen to start or get back to University as soon as it is safe to do so. This is reflected in UCAS data as at the 18 June deadline, showing a 1% increase in the number of applicants with an offer to start University this Autumn compared to 2019/20. A record 40.5% of UK 18-year-olds have applied to University this year, reflecting growing awareness of the opportunities and life experience it provides. This has driven a 3% increase in acceptances by UK 18-year-olds, more than offsetting the impact of fewer young people in the population.

The number of students with a deferred start date was down 1% compared to 2019/20 as of 18 June, reflecting the clear desire of young people to attend University, weaker employment prospects and fewer gap year opportunities for school leavers.

The Universities UK survey published on 17 June outlined that 97% of Universities plan to provide in-person teaching in the Autumn term of 2020/21. Teaching will be delivered on a 'blended' basis, with face-to-face tutorials, seminars and practical work complemented by online lectures to observe social distancing guidelines. We expect University campuses to be open from the Autumn.

There remains a risk that student numbers and demand for student accommodation could be materially impacted by a second wave of Covid-19. In particular, there is uncertainty over international student numbers, given travel restrictions. Recent survey results from the British Council highlight that between one-third and two-thirds of non-EU international students may choose to cancel or delay their travel plans for 2020/21. This is in line with our assumptions.

Our guidance for occupancy and income for 2020/21 assumes no return to more stringent lockdown measures at a national level and that University campuses will open in the Autumn, reflecting social distancing requirements.

Government financial support for Higher Education

The Government has announced a series of support measures for the Higher Education sector in recent months. Universities will be able to recruit up to 5% above their forecasts for UK and EU undergraduate students in 2020/21, which already assumed modest growth. Universities can also bid for a further 10,000 places in subjects of strategic importance, such as science, engineering, teaching training and healthcare. In total, this provides Universities with the opportunity to recruit an additional 40,000 UK students from the pool of surplus applications, which totalled 101,000 in the 2019/20 academic year.

The Government has also taken significant steps to support Universities' cash flow for the 2020/21 academic year, by bringing forward £2.6 billion in tuition fee income and £100 million in research funding, as well as making available £280 million through extensions of research grants. In addition, the Government will cover up to 80% of a University's income losses from international students for 2020/21, reflecting the importance of tuition fees from international students in helping to fund University research activity.

This combination of measures should help to ensure less volatility in student admissions across the sector and ensure the financial viability of all Universities. In addition, the Government recently made available a restructuring regime for any Universities facing severe financial difficulties. Universities will be able to access this support, provided they make changes to meet wider Government objectives, including delivery of high-quality courses with strong graduate outcomes, improving their offer of qualifications available and reducing administrative costs.

We expect the Government's response to the Augar review of post-18 education and funding to be published this Autumn. Recent comments suggest the Government strongly supports the combination of world-class researchintensive Universities and teaching-led Universities delivering high-quality courses. Through our strategic alignment to High and Mid-ranked Universities, we are well positioned to navigate these potential policy changes. At the same time, Government comments suggest a greater emphasis on Further Education and technical qualifications, with these potentially being delivered through Lower-ranked Universities.

In recent announcements, the Government has reaffirmed its commitment to growth in international student numbers. From the 2020/21 academic year, international students will benefit from a new two-year post-study visa (rising to three years for PHD students), which significantly improves the UK HE sector's global competitiveness. In addition, the Department for Education recently announced the appointment of Professor Sir Steve Smith, one of our Non-Executive Directors, as International Education Champion in support of its target to deliver 25% growth in the number of international students to 600,000 by 2030.

Significant progress on integration of Liberty Living

We have made significant progress on the acquisition of Liberty Living during the first half. Liberty Living city-based employees have now transferred over to Unite and the 24,000 Liberty Living beds have been fully integrated into our operating platform, PRISM, slightly ahead of the planned timings. This means that all property sales for the 2020/21 academic year, property management and maintenance now occur through PRISM. In addition, the Unite customer offer has been extended to all former Liberty Living customers, including access to the MyUnite app and the comprehensive range of student welfare and support services we provide. The final elements of the integration programme will conclude, in line with the plan, by the end of September 2020. In particular, I want to thank all of the former Liberty Living employees for their professionalism and commitment through the transition.

The continued positive progress on integration will realise cost synergies of £5-6 million in 2020 and provides confidence in delivering £15 million of annual cost synergies from 2021. We expect to incur integration costs of £8 million in 2020, of which almost the entirety were recognised in H1. There are also opportunities for further cost synergies to be realised over time in areas such as procurement and energy efficiency in the Liberty Living portfolio.

There have been significant operational learnings during the integration process and we remain committed to combining the best of both businesses. A range of initiatives have been implemented, including an improved allocation and communication process for our University partners, establishment of a virtual sales and service centre for the entire portfolio and optimisation of marketing and social media campaigns.

Successful share placing to fund continued investment

In June, we successfully raised £300 million of gross proceeds from an equity issue, equivalent to 9.5% of existing shares in issue at a price of 870 pence. The placing will enable the Company to continue to invest in its market-leading platform and drive earnings growth.

The net proceeds, coupled with debt up to our 35% LTV target, will be used to:

- Grow the development pipeline by targeting three new schemes for a total development cost of approximately £250 million in central London and prime provincial markets for 2023/24 delivery
- Capitalise on new University Partnership and development opportunities in key cities, reflecting financial and operational constraints on Universities and the goodwill created with Universities by the Company's recent actions

We have already exchanged contracts to acquire one of the three identified schemes; a 300-bed development site in central Edinburgh with a total development cost of £24 million.

The placing and repayment of £207 million of secured debt will be immediately accretive to total accounting returns and earnings neutral, with earnings accretion as new development opportunities are delivered.

OUTLOOK

We have growing visibility and confidence over our income for the 2020/21 academic year, reflective of the strength of our University relationships and demand from UK students. Our best-in-class operating platform also provides the flexibility to rapidly adjust our marketing strategies and reduce costs. There remains a higher risk than usual of cancellations to reservations by international students for 2020/21 and we continue to closely monitor the risks surrounding a potential second wave of Covid-19.

Moving forward, we expect strong student demand in 2021/22 bolstered by an enhanced campus experience, a significant recovery in international student numbers as well as an increase in the 18-year-old population. Participation rates also continue to grow, reflecting the value young adults place on a higher level of education and the financial stability it offers. We anticipate a continued flight to quality by students, with Government policy expected to focus on the quality and value of courses. Through our increasing strategic alignment to High and Mid-ranked Universities, which account for 88% of our income, the Company is well positioned for anticipated growth in student numbers over the next decade.

A return to growth in student numbers from 2021/22 is supportive of a positive rental growth outlook for our portfolio. This reflects the value-for-money offered by our high quality, affordable accommodation and a growing opportunity to capture market share from the 855,000 student beds in houses of multiple occupancy (HMOs). The proceeds of our recent placing will be used to accelerate growth opportunities through new University Partnerships and developments to enhance earnings and total returns.

OPERATIONS REVIEW

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 people, our PRISM operating platform, our reputation and our relationships with Universities. We leveraged these capabilities through our acquisition of Liberty Living in November 2019, resulting in a 43% increase in rental income to £154.9 million, up from £108.3 million in H1 2019. This reflected £63.3 million of income delivered from the acquisition of Liberty Living's 24,000-bed portfolio, partially offset by £26.9 million of rental income forgone through cancellations for the summer term of 2019/20 in response to Covid-19.

This resulted in a 22% increase in EPRA earnings to £74.8 million (H1 2019: £61.2 million). Reflecting the predominantly fixed nature of our cost base and the increased share count associated with the Liberty Living acquisition, the loss of income from cancellations resulted in a 12% reduction in ERPA EPS to 20.5 pence (H1 2019: 23.2 pence). EPRA earnings excludes integration and acquisition costs associated with the acquisition of Liberty Living, which totalled £8.1 million in the period (H1 2019: £5.4 million).

Summary income statement	**H1 2020 £m**	**H1 2019 £m**	**2019 £m**
Rental income	154.9	108.3	213.9
Property operating expenses	(37.5)	(23.9)	(53.1)
Net operating income (NOI)	**117.4**	**84.4**	**160.8**
NOI margin	*75.9%*	*78.0%*	*75.2%*
Management fees	7.7	7.2	14.4
Operating expenses	(14.1)	(9.3)	(21.8)
Finance costs	(33.5)	(20.7)	(43.9)
Acquisition and net performance fees	-	-	6.8
Development and other costs	(2.7)	(0.4)	(5.7)
EPRA earnings	**74.8**	**61.2**	**110.6**
EPRA EPS	**20.5**	**23.2**	**39.1p**
EBIT margin	*71.7%*	*76.0%*	*71.7%*

A reconciliation of (loss)/profit after tax to EPRA earnings is set out in note 2.2b of the financial statements

The loss of income through summer term cancellations reduced the Group's NOI margin to 75.9% for the six months (H1 2019: 78.0%) and the EBIT margin to 71.7% (H1 2019: 76.0%). Overheads increased YoY, reflecting the impact of the Liberty Living acquisition and initial cost synergies realised in the period. In response to Covid-19, £12-15 million of cost savings measures have been identified for 2020 from insourcing of work over the summer, savings to utility and broadband costs and reductions in salary and pensions for Executive Directors, Non-Executive Directors and senior managers.

Finance costs have increased to £33.5 million (H1 2019: £20.7 million), reflecting higher net debt of £1,688 million following our acquisition of Liberty Living in H2 2019 (30 June 2019: £897 million). £3.3 million of interest costs were capitalised in the first half, a reduction from £5.1 million in H1 2019, due to the reduced level of development activity. The cost of debt has reduced to 2.9% (31 December 2019: 3.3%), following drawdown of our remaining Group debt facilities during the first half.

2019/20 academic year

We anticipate a c.15% reduction in income for the 2019/20 academic year, reflecting our decision to refund rents for students who have chosen to return home for the summer term. Unite was the first corporate PBSA provider to offer students refunds on their summer term rents, reflecting our core value of doing the right thing for our customers, people and other stakeholders. This resulted in the loss of £26.9 million of previously contracted rent (Unite share) in the first half.

Reflecting the strength of our University relationships, we have collected 97% of rent due to date for the summer term under nomination or lease agreements, where Universities collect rent directly from students.

2020/21 academic year

We have increasing visibility over income as we approach the start of the 2020/21 academic year. Reservations of 84% are below the prior year (2019/20: 93%), reflecting delays by some students and Universities in making their accommodation choices at this stage. We expect a higher than usual volume of sales activity later in the booking cycle.

We are targeting 90% occupancy for 2020/21 (2019/20: 98%), underpinned by the income security provided by our multi-year nomination agreements. This target makes allowance for around 4,000 no-shows and cancellations, representing around 30% of existing direct-let bookings by international customers. To mitigate the risk to income, we are in the process of contacting all UK and international customers to reconfirm bookings.

Overall, we expect a 10-20% reduction in rental income for 2020/21 compared to 2019/20 (prior to the impact of cancellations in 2019/20 due to Covid-19). This includes contingency for a reduction in pricing and shorter tenancy lengths, alongside lower occupancy. Our 2020/21 income guidance also assumes no return to more stringent lockdown measures at a national level and that University campuses open in the Autumn, reflecting social distancing requirements.

Breakdown of reservations (2020/21, total Group)

Type	Beds	% of beds to sell	Gross rental income (£m)
Nomination agreements, contracted	31,442	42%	218.9
Nomination agreements, unsigned	7,412	10%	50.7
UK direct let	10,064	14%	61.8
International direct let	13,713	18%	112.8
Total	**62,631**	**84%**	**444.2**

Nomination agreements

Nomination reservations total c.38,900 beds or 52% of available beds for the 2020/21 academic year (2019/20: 41,500 beds or 56%), of which 90% is aligned to High and Mid-ranked Universities. 31,400 of these nominated beds (42% of total beds) are already contracted, of which c.27,000 beds (36% of total) have income underwritten by the University. As usual at this stage of the cycle, we have reservations under nomination agreements that are yet to be contracted. We have a high degree of confidence that the substantial majority of the c.7,400 unsigned nomination beds (10% of total beds) will complete in the coming weeks.

Direct- let sales

Direct-let reservations account for c.23,800 beds or 32% of total beds. We are targeting the sale of an additional 5,000 beds on a direct-let basis to reach our occupancy target of 90% for 2020/21.

We are seeing healthy levels of demand from UK undergraduate students. UK customers account for 42% of our direct-let bookings to date, which we expect to rise to around 60% by the end of the sales cycle (2019/20: 39%). We have achieved a higher proportion of UK sales from rebookers, showing progress in attracting students from HMOs. We have also seen an encouraging improvement in international reservations in recent weeks after a period of subdued sales. 2nd and 3rd-year students account for just under half of international sales, providing greater certainty over income.

Breakdown of reservations for 2020/21 by domicile and year of study

	Nominations*	Direct let				
		UK	China	EU	Other Intl.	Total
First year	n/a	3,158	977	773	376	n/a
2nd and 3rd year	n/a	6,640	3,420	1,516	1,629	n/a
Postgraduate	n/a	266	4,278	247	497	n/a
Total	**38,854**	**10,064**	**8,675**	**2,536**	**2,502**	**62,631**
% of reservations	**62%**	**16%**	**14%**	**4%**	**4%**	**100%**
% of beds sold	**52%**	**14%**	**12%**	**3%**	**3%**	**84%**

** All years and domiciles*

There remains a higher risk than usual of cancellations to our direct-let reservations, particularly for international students, given some caution on the part of students as well as travel restrictions and quarantine measures imposed to combat Covid-19.

Reservations secured to date have delivered pricing increases compared to 2019/20 and we have not yet seen widespread discounting activity by our competitors. We will seek to maintain price discipline through the remainder of the booking cycle but our guidance for a 10-20% YoY reduction in income for 2020/21 provides some contingency for price reductions or increased use of incentives to drive sales and optimise occupancy.

Operating model for 2020/21

We remain focused on delivering a safe and secure living environment for students.

We are introducing a number of new and enhanced Covid-19 secure operating practices for the 2020/21 academic year to comply with Government guidance. These will include enhanced cleaning and new physical and social distancing measures such as floor markings, signage, communication in reception areas and repurposed common areas. Reflecting these measures, we are a British Safety Council Covid Secure accredited workplace.

Our investments in our sector-leading operating platform, PRISM, and our MyUnite app already facilitate a range of digital interactions between Unite staff and students – such as bookings, maintenance requests, parcel collections and logging of issues – and provide opportunities for enhanced service to students. We will use the app to manage arrivals and check-ins to ensure students are welcomed in a safe and secure environment. All of these enhancements can be delivered without an increase in operating costs, due to efficiencies achieved in other areas.

PROPERTY REVIEW

EPRA NAV growth

EPRA NAV per share reduced by 2% to 833 pence at 30 June 2020 (31 December 2019: 853 pence). In total, EPRA net assets were £3,325 million at 30 June 2020, up from £3,110 million six months earlier.

The main drivers of the £215 million increase in EPRA NAV and 20 pence reduction in EPRA NAV per share were:

- The reduction in the value of the Group's share of investment assets as a result of income reductions relating to Covid-19 disruption (£(106) million, (26) pence) and modest yield expansion (£(12) million, (3) pence)
- A small reduction in the value of the development portfolio (£(4) million, (1) pence)
- A provision for the replacement of High Pressure Laminate ('HPL') cladding (£(13) million, (3) pence)
- The positive impact of retained profits (+£56 million, +12 pence)
- The impact of the share placing (+£294 million, +1 pence)

Changes in EPRA guidelines

In October 2019, EPRA issued updated best practice recommendations, including new definitions of NAV measures, which became effective for the Group on 1 January 2020. The revision includes the introduction of EPRA Net Tangible Assets (NTA), which is expected to become the most relevant NAV measure for the Group, and we expect this to be our primary NAV measure going forward. EPRA NTA adjusts EPRA NAV, our existing key NAV measure, by excluding intangible assets.

During 2020, we will continue to monitor and report on a combination of the previous and new EPRA NAV measures as set out below:

	30 June 2020	30 June 2019	31 December 2019	Change from 31 December 2019
EPRA NAV per share	833p	820p	853p	(2)%
EPRA NTA per share	828p	812p	847p	(2)%

Property portfolio

The valuation of our property portfolio at 30 June 2020, including our share of gross assets held in USAF and LSAV, was £5,154 million (31 December 2019: £5,225 million). The £71 million reduction in portfolio value reflects the valuation movements outlined above, together with capital expenditure and interest capitalised on developments of £67 million.

Summary balance sheet

	30 June 2020			30 June 2019			31 December 2019		
	Wholly owned £m	Share of Fund/JV £m	Total £m	Wholly owned £m	Share of Fund/JV £m	Total £m	Wholly owned £m	Share of Fund/JV £m	Total £m
Rental properties	3,317	1,272	4,589	1,468	1,242	2,710	3,407	1,296	4,703
Rental properties (leased)	107	-	107	111	-	111	110	-	110
Properties under development	458	-	458	369	3	372	412	-	412
Total property	3,882	1,272	5,154	1,948	1,245	3,193	3,929	1,296	5,225
Net debt	(1,261)	(427)	(1,688)	(484)	(413)	(897)	(1,450)	(434)	(1,884)
Lease liability	(97)	-	(97)	(100)	-	(100)	(99)	-	(99)
Other assets/(liabilities)	(24)	(20)	(44)	(13)	(13)	(26)	(120)	(13)	(133)
EPRA net assets	**2,500**	**825**	**3,325**	**1,351**	**819**	**2,170**	**2,260**	**849**	**3,109**

Student accommodation yields

The purpose-built student accommodation sector has continued to deliver strong performance relative to the wider UK real estate sector amid the disruption caused by Covid-19. Strong sector fundamentals and a track record of consistent rental growth continue to attract significant volumes of capital to the sector.

This was underlined by Blackstone's acquisition of iQ's 28,000-bed portfolio for £4.7 billion in February 2020. The price translated to a material premium to the underlying market value of iQ's property portfolio, illustrating the willingness of investors to attribute value to the brand, operating and development capabilities of major operators.

Since the outbreak of Covid-19, transaction activity has slowed. However, in recent weeks, a portfolio of provincial assets was sold to an international buyer at pricing broadly in line with pre-Covid-19 levels. Given greater uncertainty over occupancy for the 2020/21 academic year, pricing is likely to be stronger where sellers are willing to provide a one-year income guarantee to buyers.

The average net initial yield across the portfolio is 5.0% (December 2019: 5.0%), unchanged over the first six months of the year. At a city level, we have seen modest yield compression in London and other super prime provincial markets, offset by a further increase in yields in more fully-supplied provincial markets.

In light of the market uncertainty created by Covid-19, the valuations for 30 June 2020 have been reported on the basis of 'material valuation uncertainty'. Following the period end, the RICS recommended that the material uncertainty clause is no longer appropriate for valuations of institutional grade, student accommodation which is professionally managed.

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

	30 Jun 2020	30 Jun 2019	31 Dec 2019
London	3.9-4.25%	4.0-4.25%	3.75-4.25%
Prime provincial	4.5-5.15%	4.5-5.0%	4.5-5.0%
Major provincial	5.0-6.00%	5.0-5.5%	5.25-5.75%
Provincial	6.25-7.25%	6.0-7.0%	6.25-6.75%

Development and University Partnership activity

Development and University Partnership activity continues to be a significant driver of growth in future earnings and NAV. Our pipeline of traditional development and University Partnerships includes 5,370 beds with a total development cost of £693 million. We expect to maintain a run-rate of around 2,000 beds p.a. funded from the proceeds of our recent £300 million placing and internally generated sources.

The anticipated yield on cost of this secured pipeline is 6.6%. We are targeting enhanced returns on new developments, with yields on cost of 7.5% in London and 8.5% in provincial markets. This reflects our expectation for reductions in land and construction prices, resulting from a broader economic slowdown. 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 that new developments of student accommodation allocate a majority of beds to nomination agreements with Universities, meaning we expect most new London developments will be delivered as University Partnerships. Given our long-term relationships with London Universities, this leaves us well placed to secure new development opportunities.

2020/21 completions

We will deliver 2,257 beds across three development schemes for the 2020/21 academic year. White Rose View in Leeds, where we have a 559-bed 30-year nomination agreement with the University of Leeds, will be completed on time and budget for student arrivals this September.

Due to temporary site closures and reduced levels of operatives on site as a result of social distancing measures, we are expecting completion of First Way, London and Artisan Heights, Manchester to be delayed until Q4 2020. We will provide alternative accommodation to those students affected and expect both buildings to be fully operational from January 2021. Due to fixed-price build contracts, we are not liable for any cost overruns. We expect to generate income from these buildings during the 2020/21 academic year through the usual January intake by some Universities.

Deferral of 2021/22 completions

As part of our response to Covid-19, we took the decision earlier this year to defer delivery of our schemes at Middlesex Street, London and Old BRI, Bristol into 2022. We expect to restart construction in Q1 2021, following the start of the 2020/21 academic year. The total cost of delays is expected to be £2 million.

New opportunities

We continue to identify new development and University Partnership opportunities, with three schemes totalling £250 million in total development cost either contracted or under offer. In July, we exchanged contracts to acquire a 300-bed development site in central Edinburgh, with a total development cost of £24 million. We are targeting delivery of the direct-let development for the 2023/24 academic year but may be able to accelerate this timetable subject to planning consent.

The two remaining new sites include a development in central London and a forward-funded acquisition in a prime provincial market. All three new schemes are expected to deliver yields on cost 50-75 basis points above pre-Covid levels. In addition, the placing provides capacity to pursue additional University Partnership and development opportunities that may emerge in the current environment.

Our development activity is analysed in more detail below.

Secured development and University 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 %
Traditional development								
First Way, London	2020	678	132	103	10	22	12	6.0%
Artisan Heights, Manchester	2020	603	82	57	12	6	11	7.8%
Derby Road, Nottingham[1]	2023	620	64	48	1	46	16	8.0%
Wyvil Road, London[1]	2023	270	100	80	-	62	21	6.2%
Abbey Lane, Edinburgh[1]	2023	298	33	24	1	23	9	8.3%
Total wholly owned		**2,469**	**411**	**312**	**24**	**159**	**69**	**6.9%**
University Partnerships								
White Rose View, Leeds	2020	976	122	84	17	8	14	7.4%
Middlesex Street, London	2022	913	277	187	57	86	52	6.0%
Old BRI, Bristol	2022	416	57	43	3	19	7	6.2%
Temple Quarter, Bristol[1]	2023	596	85	67	1	65	18	6.2%
Total University Partnerships		**2,901**	**541**	**381**	**78**	**178**	**91**	**6.4%**
Total pipeline		**5,370**	**952**	**693**	**102**	**337**	**160**	**6.6%**

[1] Subject to obtaining planning consent

University Partnerships

We continue to make progress with our strategy of delivering ongoing growth through partnerships with Universities. Reflecting the financial and operational constraints faced by Universities, there is a growing appetite for partnerships with leading operators. We see opportunities to capitalise on our brand and the goodwill created by our response to Covid-19 to accelerate and enhance our pipeline of University Partnerships.

Through our Higher Education engagement team, we have a pipeline of active discussions for new partnerships, with 14 different Universities across a range of different models, including further off-campus developments, long-term nomination agreements, stock transfer and third-party management arrangements. 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.

In the first half, we completed a new University Partnership with the University of Bristol, 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 596-bed Temple Quarter development in close proximity to the University's new campus.

Our development at Middlesex Street in London has been supported through planning by King's College London, with both parties working towards a long-term nomination agreement. Both partnerships reflect Unite's strategy of aligning its property portfolio to the best locations and High-ranking Universities where student numbers are growing fastest.

	Type	Number of deals	Beds	Execution risk
Multi-year nominations	Existing portfolio	11	11,400	Low/Medium
Off-campus development	New	5	3,100	Medium
On-campus development	New	8	7,500	High
Stock transfer	New	4	8,000	High
Total		**28**	**30,000**	

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.

We intend to dispose of approximately £100-150 million of assets in 2020, with higher levels of disposals planned for 2021 and 2022. Given market disruption and uncertainty created by Covid-19, there is an increased execution risk in delivering planned disposals in the near term.

These target disposals, together with our investment activity, will further enhance our alignment to High and Mid-ranked Universities and underpin our ability to sustain rental growth over a longer-time horizon. In addition, capital recycling will provide the funding capacity to pursue future growth opportunities.

Cladding

In January 2020. new Government Building Safety Advice was issued, which referenced the use of HPL cladding and new safety concerns. We have identified 19 properties with HPL cladding within our portfolio. All of the affected buildings have been assessed by independent fire safety experts and remain safe for students to occupy.

For eight properties, we have identified the work needed to remove and replace different areas of the cladding. For the remaining 11 properties with HPL cladding, further testing is required to determine whether there is a need to complete rectification works. We have therefore made a £13.4 million provision (Unite share) for the cost of remediation works in the balance sheet as at 30 June. In addition, special measures have been put in place at the affected buildings, including increased building patrols by staff and additional alarm measures. Works to remove the cladding will take place over the next 6-24 months.

FINANCIAL PERFORMANCE

Income statement

A reconciliation of loss/profit before tax to EPRA earnings measures is set out in summary below and expanded in section 7 of the financial statements.

The move to a loss before tax is the result of valuation losses of £139 million being recognised in the first six months of 2020, compared with the £73 million gains recognised in H1 2019 and an increase in costs relating to the acquisition and integration of Liberty Living to £8.1 million (H1 2019: £5.4 million).

	H1 2020 £m	H1 2019 £m	FY2019 £m
EPRA earnings	74.8	61.2	110.6
Valuation losses/gains and profit/loss on disposal	(138.9)	73.3	198.1
Impairment of goodwill and intangibles	-	-	(384.1)
Integration/acquisition costs	(8.1)	(5.4)	(22.8)
Amortisation of fair value of debt recognised on acquisition	2.2	-	0.4
Changes in valuation of interest rate swaps and debt break costs	(5.6)	(2.9)	(5.4)
Minority interest and tax	1.7	(0.7)	2.0
(Loss)/profit before tax	**(73.9)**	**125.5**	**(101.2)**
EPRA earnings per share	20.5p	23.2p	39.1p
Basic (loss)/earnings per share	(20.4)p	53.3p	(31.5)p

Cash flow and net debt

The Operations business generated £27.8 million of net cash in H1 2020 (H1 2019: £47.0 million) and net debt reduced to £1,688 million (31 December 2019: £1,884 million). The key components of the movement in net debt were the operational cash flow (generating total inflows of £24 million) and net proceeds of £294 million from the share placing, offset by total capital expenditure of £103 million, costs associated with the acquisition of Liberty Living of £10 million and withholding tax payments of £3 million.

Cash headroom and liquidity

As of 30 June, the Group had £541 million of unrestricted cash reserves, having fully drawn its revolving credit facilities during the period and received £294 million in net proceeds from the share placing. The Company has been confirmed as an eligible issuer under the HM Treasury and Bank of England Covid Corporate Financing Facility (CCFF). At this stage, we have no plans to drawdown under the CCFF. In addition, we have received credit approval for a £100 million extension to our unsecured Group debt facility.

We remain confident in our cash headroom and liquidity through the 2020/21 academic year based on income visibility provided through our contracted nomination agreements. We have £35 million of committed capex remaining for 2020 development completions and average cash consumption is c.£11-13 million per month.

Debt financing, covenants and going concern

The Group maintains a disciplined approach to leverage, with see-through LTV of 33% at 30 June 2020 (31 December 2019: 37%). 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.

We continue to monitor our banking covenants, which vary between facilities but are principally based on LTV and ICR ratios. Given the interruption to income caused by Covid-19, our principal focus is on our ICR covenants, which vary between 1.5-2.0x depending on the facility.

We are confident in our headroom under ICR covenants at both a Group and fund level. There is headroom for occupancy to fall to c.55% for the 2020/21 academic year before a breach of our tightest ICR covenant. Based on contracted nomination agreements, totalling 41% of beds, this would require only limited conversion of our reserved but unsigned nomination agreements or check-ins by customers under existing direct-let reservations to maintain compliance with the ICR covenants.

The Directors have considered a range of scenarios for future performance, including a disruption to term start dates and a potential second wave of Covid-19. We have growing income visibility through nomination agreements and other direct-let reservations for 2020/21. Moreover, the demand outlook for students starting this Autumn is supported by UCAS data, showing a 1% increase in acceptances compared to 2019/20. Additionally, in a downside scenario, the Group has the ability to conserve cash through a variety of measures, such as cost reduction programmes, deferral of capital expenditure and dividends and, if required, to discuss terms of banking agreements with its lenders. Accordingly, the Directors continue to adopt the going concern basis in preparing the Group condensed financial statements. Further details can be found in note 1 of the financial statements.

Interest rate hedging arrangements and cost of debt

Our see-through average cost of debt has reduced to 3.0% (31 December 2019: 3.3%) and 77% of see-through investment debt is subject to a fixed interest rate (31 December 2019: 93%) for an average term of 4.6 years (31 December 2019: 5.4 years). Following the period end, we will repay £207 million of Group secured debt at a blended coupon of 4.8%, as well as incurring swap breakage costs of £24 million. Pro forma for the repayment of the secured debt, our cost of debt reduces to 2.8%.

Following the repayment of the secured debt, the Group will move to a fully unsecured debt platform with an earliest debt maturity of November 2022. We intend to raise further debt over the next 6-12 months to extend the maturity profile of our debt and diversify our funding sources.

Key debt statistics (Unite share basis)	Pro forma for secured debt repayment	30 Jun 2020	30 Jun 2019	31 Dec 2019
Net debt	£1,713m	£1,688m	£897m	£1,884m
LTV	34%	33%	29%	37%
Net debt:EBITDA ratio*		7.3	6.1	6.8
Interest cover ratio		3.3	4.1	3.5
Average debt maturity	4.7 years	4.6 years	5.4 years	5.4 years
Average cost of debt	2.8%	3.0%	3.8%	3.3%
Proportion of investment debt at fixed rate	74%	77%	100%	93%

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

Share placing

We completed a placing of 34.5 million new ordinary shares in June 2020 at a price of 870 pence per share, raising gross proceeds of £300 million. The net proceeds, coupled with debt up to our 35% LTV target, will be used to commit to three new schemes now contracted or under offer for a total development cost of approximately £250 million in central London and prime provincial markets for 2023/24 delivery and to capitalise on new University Partnership and development opportunities in key cities. The Company consulted with a significant number of its shareholders prior to the Placing and respected the principles of pre-emption through the allocation process insofar as possible.

The Placing and repayment of secured debt will be immediately accretive to total accounting returns and earnings neutral, with earnings accretion as new development opportunities are delivered.

Dividend

Following the outbreak of Covid-19 and a period of highly uncertain trading conditions, the Board took the decision to cancel the 2019 final dividend to retain cash within the business.

We anticipate reinstating dividend payments in 2020, on the basis of delivering of occupancy and income supportive of our guidance for EPRA EPS of 22-25 pence for FY 2020 and based on a positive outlook for the 2021/22 academic year. There is the potential to announce an interim dividend later this year (H1 2019: 10.25 pence), although timing of the reinstatement is still to be confirmed. Dividends for the 2020 financial year will reflect a portion of EPRA EPS with the payout ratio still to be determined.

There is no further Property Income Distribution (PID) to be paid by the Company in respect of the 2019 financial year.

Tax and REIT status

The Group holds REIT status and is exempt from tax on its property business. During the first half of 2020, we recognised a current tax charge of £0.4 million, relating primarily to our property management activities.

Funds and joint ventures

The table below summarises the key financials at 30 June 2020 for each vehicle.

	Property Assets £m	Net debt £m	Other assets £m	Net assets £m	Unite share of NAV £m	Maturity	Unite share
USAF	2,789	(854)	(16)	1,919	423	Infinite	22%
LSAV	1,316	(478)	(33)	805	402	2022/2027	50%

The performance of USAF and LSAV in the first half was impacted by disruption caused by Covid-19, consistent with the performance of the wider business. Property valuations reduced by 2.2% and 1.5% for USAF and LSAV respectively over the first half of the year on a like-for-like basis, reflecting income deductions relating to summer income and the anticipated impact of Covid-19 disruption on 2020/21 income.

Fees

During the six months to June 2020, the Group recognised net fees of £7.7 million from its fund and asset management activities (H1 2019: £7.2 million). The increase was driven by increases in GAV and NAV over the past 12 months, partially offset by reductions in NOI from disruption relating to Covid-19.

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. An initial £5.7 million of this fee was recognised in the 2019 results. We remain confident in receiving at least this amount under the performance fee based on the conservative valuation assumptions used in the calculation and valuation evidence for student accommodation since the outbreak of Covid-19.

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.

	H1 2020 £m	H1 2019 £m	FY2019 £m
USAF asset management fee	6.0	5.3	11.2
LSAV asset and property management fee	1.7	1.6	3.2
USAF acquisition fee	-	0.3	2.2
Net performance fee	-	-	5.7
Unite disposal management fee	-	-	2.4
Total fees	**7.7**	**7.2**	**22.3**

Principal risks and uncertainties

The Group's principal strategic risks and uncertainties are those which might prevent it from achieving its principal financial aim of delivering attractive total returns through recurring income and capital growth, while maintaining a strong capital structure. Details of how we manage risk are set out on pages 42 to 46 of our 2019 Annual Report.

The principal risks and uncertainties facing the Group for the remaining six months of the financial year remain those detailed on pages 47 to 55 of the 2019 Annual Report. Covid-19 has increased and intensified these risks in some cases, as discussed below:

- Market risks with the potential to reduce demand for UK HE and student accommodation, either due to macro events, such as the Covid-19 pandemic, Government policy around HE or immigration, uncertainty related to Brexit, geo-political relations between the UK and China, lower affordability of our product or increasing supply of PBSA beds. Covid-19 has increased uncertainty over student demand and reservations for the 2020/21 academic year
- Operational risks linked to major health and safety incidents. In response to the operational risks associated with Covid-19, the Group continues to closely monitor guidance from the Government and public health authorities
- Risks relating to the acquisition of Liberty Living and the Group's ability to successfully integrate the business onto the Unite operating platform
- The ability to secure the best sites on the right terms for the development business and deliver committed projects on time and budget. Covid-19 has led to the deferral of some development activity during the first half to conserve cash. The Company expects to resume development activity on the affected sites in Q1 2021
- The underlying cyclicality of property markets and the influence of general economic factors on performance. Increased volatility in financial markets as a result of Covid-19 and a weaker macro-economic outlook increase the potential risks surrounding property valuations and performance
- Environmental and social challenges to the Group's long-term sustainability
- Financial risks linked to balance sheet liquidity and compliance with debt covenants, due to the increased level of uncertainty around income created by Covid-19

Covid-19 continues to have a significant impact on the business, increasing the level of these risks in some cases. The Board and the Group's Risk Committee are closely monitoring guidance from the Government and public health authorities in relation to Covid-19, as well as the operating plans of Universities for the Autumn term of the 2020/21 academic year. As a result, the Group's forecasts and business plans continue to be prepared under a variety of scenarios and stress tests to assess the Group's preparedness and ability to withstand adverse market conditions.

Responsibility statement of the directors in respect of the interim report and accounts

We confirm that to the best of our knowledge:

- The condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and gives a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer, or the undertakings included in the consolidation as a whole as required by DTR 4.2.4R
- The interim management report includes a fair review of the information required by:

(a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

(b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

Richard Smith	Joe Lister
Chief Executive Officer	Chief Financial Officer

29 July 2020

Forward-looking statements

The preceding interim statement has been prepared for the shareholders of the Company, as a body, and for no other persons. Its purpose is to assist shareholders of the Company to assess the strategies adopted by the Company and the potential for those strategies to succeed and for no other purpose. The interim statement contains forward-looking statements that are subject to risk factors associated with, amongst other things, the economic, regulatory and business circumstances occurring from time to time in the sectors and markets in which the Group operates. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a wide range of variables that could cause actual results to differ materially from those currently anticipated. No assurances can be given that the forward-looking statements will be realised. The forward-looking statements reflect the knowledge and information available at the date of preparation. Nothing in the interim statement should be considered or construed as a profit forecast for the Group. Except as required by law, the Group has no obligation to update forward-looking statements or to correct any inaccuracies therein.

INTRODUCTION AND TABLE OF CONTENTS

These financial statements are prepared in accordance with IFRS. The Board of Directors also present 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 2.2b for EPRA Earnings and 2.3c 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.

We have grouped the notes to the financial statements under three main headings:

- Results for the period, including segmental information, EPRA earnings and EPRA NAV
- Asset management
- Funding

CONSOLIDATED INCOME STATEMENT
For the 6 months to 30 June 2020

	Note	Unaudited 6 months to 30 June 2020 £m	Unaudited 6 months to 30 June 2019 £m	Year to 31 December 2019 £m
Rental income	2.4	114.9	66.2	134.1
Other income	2.4	7.7	7.3	22.1
Total revenue		**122.6**	**73.5**	**156.2**
Cost of sales		(27.5)	(14.6)	(33.0)
Operating expenses		(15.0)	(10.6)	(26.6)
Results from operating activities		**80.1**	**48.3**	**96.6**
Loss on disposal of property		(0.5)	(0.9)	(7.3)
Net valuation (losses)/gains on property (owned)	3.1a	(102.1)	53.3	154.8
Net valuation losses on property (leased)	3.1a	(3.2)	(2.3)	(8.1)
Impairment of goodwill and intangible asset		-	-	(384.1)
Acquisition costs		-	(5.4)	(22.8)
Integration costs		(8.1)	-	-
(Loss)/profit before net financing costs		**(33.8)**	**93.0**	**(170.9)**
Loan interest and similar charges		(22.1)	(10.0)	(23.8)
Mark to market changes in interest rate swaps		-	(2.4)	(2.7)
Swap cancellation and loan break costs		(5.6)	(0.5)	(2.7)
Interest on lease liability		(4.4)	(4.7)	(9.2)
Finance costs		**(32.1)**	**(17.6)**	**(38.4)**
Finance income		2.9	1.9	5.5
Net financing costs		**(29.2)**	**(15.7)**	**(32.9)**
Share of joint venture (loss)/profit	3.3a	(10.9)	48.2	102.6
(Loss)/profit before tax		**(73.9)**	**125.5**	**(101.2)**
Current tax		0.1	1.3	(0.1)
Deferred tax		(1.1)	14.4	13.7
(Loss)/profit for the period		**(74.9)**	**141.2**	**(87.6)**
(Loss)/profit for the period attributable to				
Owners of the parent company	2.2c	(74.3)	140.3	(89.2)
Minority interest		(0.6)	0.9	1.6
		(74.9)	**141.2**	**(87.6)**
(Loss)/earnings per share				
Basic	2.2c	(20.4)p	53.3p	(31.5)p
Diluted	2.2c	(20.3)p	53.1p	(31.4)p

All results are derived from continuing activities.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the 6 months to 30 June 2020

	Unaudited 6 months to 30 June 2020 £m	Unaudited 6 months to 30 June 2019 £m	Year to 31 December 2019 £m
(Loss)/profit for the period	**(74.9)**	**141.2**	**(87.6)**
Movements in effective hedges	(17.0)	(4.4)	(4.8)
Share of joint venture movements in effective hedges	(0.2)	(0.5)	(0.5)
Other comprehensive loss for the period	(17.2)	(4.9)	(5.3)
Total comprehensive (loss)/income for the period	**(92.1)**	**136.3**	**(92.9)**
Attributable to			
Owners of the parent company	(91.5)	135.4	(94.5)
Minority interest	(0.6)	0.9	1.6
	(92.1)	**136.3**	**(92.9)**

All other comprehensive income may be classified as profit and loss in the future.

There are no tax effects on items of other comprehensive (loss)/income.

CONSOLIDATED BALANCE SHEET
At 30 June 2020

	Note	Unaudited 30 June 2020 £m	Unaudited 30 June 2019 £m	31 December 2019 £m
Assets				
Investment property (owned)	3.1a	3,317.2	1,468.5	3,406.9
Investment property (leased)	3.1a	107.5	110.7	110.4
Investment property under development	3.1a	458.0	368.4	411.8
Investment in joint ventures	3.3a	850.4	844.6	875.2
Other non-current assets		22.8	25.5	26.0
Right of use assets		5.0	3.8	5.5
Deferred tax asset		1.5	2.8	2.9
Total non-current assets		**4,762.4**	**2,824.3**	**4,838.7**
Inventories	3.2	5.9	11.2	4.0
Trade and other receivables		62.1	62.8	87.1
Cash and cash equivalents		557.6	106.9	86.9
Total current assets		**625.6**	**180.9**	**178.0**
Total assets		**5,388.0**	**3,005.2**	**5,016.7**
Liabilities				
Borrowings	4.1	(1.4)	(86.2)	(1.4)
Lease liability		(4.0)	(1.3)	(3.9)
Trade and other payables		(114.6)	(110.2)	(234.7)
Current tax liability		-	(4.6)	(4.0)
Total current liabilities		**(120.0)**	**(202.3)**	**(244.0)**
Borrowings	4.1	(1,845.6)	(502.1)	(1,566.2)
Lease liability		(98.8)	(102.7)	(100.9)
Interest rate swaps	4.2	(24.6)	(6.9)	(7.6)
Total non-current liabilities		**(1,969.0)**	**(611.7)**	**(1,674.7)**
Total liabilities		**(2,089.0)**	**(814.0)**	**(1,918.7)**
Net assets		**3,299.0**	**2,191.2**	**3,098.0**
Equity				
Issued share capital		99.5	66.0	90.9
Share premium		2,160.3	740.6	1,874.9
Merger reserve		40.2	40.2	40.2
Retained earnings		994.1	1,321.1	1,069.0
Hedging reserve		(20.8)	(3.0)	(3.5)
Equity attributable to the owners of the parent company		**3,273.3**	**2,164.9**	**3,071.5**
Minority interest		25.7	26.3	26.5
Total equity		**3,299.0**	**2,191.2**	**3,098.0**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the 6 months to 30 June 2020

	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 2020	**90.9**	**1,874.9**	**40.2**	**1,069.0**	**(3.5)**	**3,071.5**	**26.5**	**3,098.0**
(Unaudited)								
Loss for the period	-	-	-	(74.3)	-	(74.3)	(0.6)	(74.9)
Other comprehensive loss for the period:								
Movement in effective hedges	-	-	-	-	(17.0)	(17.0)	-	(17.0)
Share of joint venture movements in effective hedges	-	-	-	-	(0.2)	(0.2)	-	(0.2)
Total comprehensive loss for the period	-	-	-	(74.3)	(17.2)	(91.5)	(0.6)	(92.1)
Shares issued	8.6	285.4	-	-	-	294.0	-	294.0
Fair value of share based payments	-	-	-	-	-	-	-	-
Deferred tax on share based payments	-	-	-	0.1	-	0.1	-	0.1
Own shares acquired	-	-	-	(0.7)	-	(0.7)	-	(0.7)
Unwind of realised swap gain	-	-	-	-	(0.1)	(0.1)	-	(0.1)
Dividends to owners of the parent company	-	-	-	-	-	-	-	-
Dividends to minority interest	-	-	-	-	-	-	(0.2)	(0.2)
At 30 June 2020	**99.5**	**2,160.3**	**40.2**	**994.1**	**(20.8)**	**3,273.3**	**25.7**	**3,299.0**

	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**
(Unaudited)								
Effect of initial application of IFRS 16	-	-	-	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**
Profit for the period	-	-	-	140.3	-	140.3	0.9	141.2
Other comprehensive loss for the period:								
Movement in effective hedges	-	-	-	-	(4.4)	(4.4)	-	(4.4)
Share of joint venture movements in effective hedges	-	-	-	-	(0.5)	(0.5)	-	(0.5)
Total comprehensive income/(loss) for the period	-	-	-	140.3	(4.9)	135.4	0.9	136.3
Shares issued	0.1	0.1	-	-	-	0.2	-	0.2
Fair value of share based payments	-	-	-	0.8	-	0.8	-	0.8
Deferred tax on share based payments	-	-	-	-	-	-	-	-
Own shares acquired	-	-	-	-	-	-	-	-
Unwind of realised swap gain	-	-	-	-	(0.1)	(0.1)	-	(0.1)
Dividends to owners of the parent company	-	-	-	(47.6)	-	(47.6)	-	(47.6)
Dividends to minority interest	-	-	-	-	-	-	(0.4)	(0.4)
At 30 June 2019	**66.0**	**740.6**	**40.2**	**1,321.1**	**(3.0)**	**2,164.9**	**26.3**	**2,191.2**

	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	-	-	-	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	-	-	-	-	(0.5)	(0.5)	-	(0.5)
Total comprehensive (loss)/income for the year	-	-	-	(89.2)	(5.3)	(94.5)	1.6	(92.9)
Shares issued	25.0	1,134.4	-	-	-	1,159.4	-	1,159.4
Fair value of share based payments	-	-	-	1.9	-	1.9	-	1.9
Deferred tax on share based payments	-	-	-	0.2	-	0.2	-	0.2
Own shares acquired	-	-	-	(0.8)	-	(0.8)	-	(0.8)
Unwind of realised swap gain	-	-	-	-	(0.2)	(0.2)	-	(0.2)
Dividends to owners of the parent company	-	-	-	(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**

CONSOLIDATED STATEMENT OF CASH FLOWS
For the 6 months to 30 June 2020

	Unaudited 6 months to 30 June 2020 £m	Unaudited 6 months to 30 June 2019 £m	Year to 31 December 2019 £m
Net cash flows from operating activities	**26.0**	**37.0**	**78.5**
Investing activities			
Cash consideration for acquisition of Liberty Living	-	-	(492.0)
Cash acquired on acquisition of Liberty Living	-	-	22.4
Acquisition costs	(3.9)	-	(17.5)
Integration costs	(5.6)	-	-
Proceeds from sale of investment property (owned)	-	69.5	295.4
Dividends received	10.3	19.2	32.8
Interest received	0.1	1.9	0.9
Acquisition of intangible assets	(0.5)	(2.3)	(4.6)
Acquisition of property	(106.8)	(80.4)	(179.9)
Acquisition of plant and equipment	(0.4)	(0.1)	(0.4)
Cash flows from investing activities	**(106.8)**	**7.8**	**(342.9)**
Financing activities			
Interest paid in respect of financing activities	(12.9)	(10.9)	(32.0)
Swap cancellation costs	(5.6)	(0.5)	(2.7)
Proceeds from the issue of share capital	293.8	-	254.7
Payments to acquire own shares	(0.1)	-	(0.8)
Proceeds from non-current borrowings	305.0	-	175.0
Repayment of borrowings	(25.3)	(5.3)	(96.0)
Dividends paid to the owners of the parent company	(3.4)	(44.4)	(69.6)
Dividends paid to minority interest	-	(0.4)	(0.9)
Cash flows from financing activities	**551.5**	**(61.5)**	**227.7**
Net increase/(decrease) in cash and cash equivalents	**470.7**	**(16.7)**	**(36.7)**
Cash and cash equivalents at start of period	86.9	123.6	123.6
Cash and cash equivalents at end of period	**557.6**	**106.9**	**86.9**

NOTES TO THE INTERIM FINANCIAL STATEMENTS

Section 1

General information

The information for the year ended 31 December 2019 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors reported on those accounts: their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

Basis of preparation

The annual financial statements of The Unite Group plc are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half yearly financial report has been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting', as adopted by the European Union.

Going concern

In response to Covid-19, the Directors have considered a range of scenarios for future performance. The Directors' base case scenario is informed by their reasoned opinion that UK Universities will open providing a blend of face-to-face teaching and online learning for the 2020/21 academic year and accordingly there will be demand for student accommodation from UK students. The greater level of uncertainty around international students' behaviour and their ability to travel to the UK could lead to a reduction in demand from this group. The Directors further considered a range of downside scenarios involving a disruption to term start dates and an associated decline in the value of income compared to the base case over the next 12 months as follows:

- A Delayed Start Case – assuming a 4-week delay to the start of term and tenancies.
- A Reasonable Worst Case – contemplating a second wave of the virus causing Universities to be unable to start term 1 in the Autumn in line with stated plans, shifting to online learning only. This assumes that Universities re-open in January and are able to offer a blend of face-to-face and on-line learning for Terms 2 and 3

Under each of these scenarios, the Directors are satisfied that the Group has sufficient liquidity and will maintain or 'cure' covenant compliance over the next 12 months.

To support the Directors' going concern assessment, a "Reverse Stress Test" was performed to determine the level of performance at which adopting the going concern basis of preparation may not be appropriate. This involved assessing the minimum amount of income required to ensure financial covenants would not be breached. Within the tightest covenant, net operating income could fall by a further 13% from the reasonable worst case scenarios before there would be a breach, with the exception of one facility which could be repaid from unrestricted cash before a forecast covenant breach materialised.

The Directors are satisfied that the possibility of such an outcome is sufficiently remote that adopting the going concern basis of preparation is appropriate.

As at the date of this report, the global outlook as a result of Covid-19 is significantly uncertain and the range of potential outcomes is wide-ranging and unknown. In particular, should the impacts of the pandemic on trading conditions be more prolonged or severe than currently forecast by the Directors or considered under the downside cases referenced above, namely if there is a further sustained national lockdown for a period longer than the initial lockdown in 2020 that results in Universities not opening physically and students either not arriving at University or returning home, the Group's going concern status would be dependent on its ability to seek interest cover covenant waivers from lenders. The Directors consider that this eventuality is remote.

The Directors, therefore, have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing the interim financial statements.

Seasonality of operations

The results of the Group's Operations segment, a separate business segment (see Section 2), are closely linked to the level of occupancy achieved in its portfolio of property. Occupancy typically falls over the summer months (particularly July and August) as students leave for the summer holidays. Following the onset of the Covid-19 pandemic in March most UK Universities chose to close their campuses, suspending all face-to-face teaching for the remainder of the 2019/20 academic year. In response, the Group offered students refunds on their summer term rents.

The second half-year typically has lower revenues and EBIT margins from existing portfolio. We are targeting 90% occupancy for 2020/21 (2019/20: 98%) and overall we expect a 10-20% reduction in rental income for 2020/21 compared to 2019/20 (prior to the impact of cancellations in 2019/20 due to Covid-19).

Conversely, the Group's build cycle for new properties plan for construction to complete shortly before the start of the academic year in September each year. The addition of these completed properties in the second half increases the Operations segment's revenues in that period. We will deliver 2,257 beds across three development schemes for the 2020/21 academic year. White Rose View in Leeds will be completed on time and budget for student arrivals this September. Due to temporary site closures and reduced levels of operatives on site as a result of social distancing measures, we are expecting completion of First Way, Wembley and Artisan Heights, Manchester to be delayed until Q4 2020. We will provide alternative accommodation to those students affected and expect both buildings to be fully operational from January 2021.

Changes in accounting policies

The Group has not adopted any new accounting standards in the period or changed any accounting policies from those included in the 2019 Annual Report.

Changes in EPRA guidelines

In October 2019, EPRA issued updated best practice recommendations including new definitions of NAV measures, which became effective for the Group on 1 January 2020. The revision includes the introduction of EPRA Net Tangible Assets (NTA), which is considered to become the most relevant NAV measure for the Group and we expect this to be our primary NAV measure going forward. EPRA NTA adjusts EPRA NAV, our existing key NAV measure, by excluding intangible assets.

During 2020, we will continue to monitor and report on a combination of the previous and new EPRA NAV measures.

A reconciliation between EPRA NAV and EPRA NTA is included in Section 7.

Critical accounting estimates and judgements

Full details of significant accounting judgements and estimation uncertainty are given on page 178 of the 2019 Annual Report and Accounts. This includes detail of the Group's approach to valuation of investment property and investment property under development, and the use of external valuers in the process. In respect of valuations undertaken for the interim financial statement, the Group's three valuers are including an industry standard market uncertainty clause in their reports, set out as follows:

"Material uncertainty clause

The outbreak of the Novel Coronavirus (Covid-19), declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.

Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to Covid-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

Our valuations are therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that Covid-19 might have on the real estate market, we recommend that you keep the valuation of the properties under frequent review.

For the avoidance of doubt, the inclusion of the 'material valuation uncertainty' declaration above does not mean that the valuation cannot be relied upon. Rather, the phrase is used in order to be clear and transparent with all parties, in a professional manner that – in the current extraordinary circumstances – less certainty can be attached to the valuation than would otherwise be the case.

The valuations exercise is an extensive process which includes the use of historical experience, estimates and judgements. The Directors are satisfied that the valuations agreed with our external valuers are a reasonable representation of property values in the circumstances known and evidence available at the reporting date. Actual results may differ from these estimates. Estimates and assumptions are reviewed on an on-going basis with revisions recognised in the period in which the estimates are revised and in any future periods affected."

Following the period end, the RICS recommended that the material uncertainty clause is no longer be appropriate for valuations of institutional grade, student accommodation which is professionally managed.

Section 2: Results for the period

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 period, segmental information, earnings and net asset value (NAV) per share.

The Group uses EPRA earnings and NAV movement as key comparable indicators across other real estate companies in Europe. In October 2019, EPRA issued updated best practice recommendations including new definitions of NAV measures, which became effective for the Group on 1 January 2020. The revision includes the introduction of EPRA Net Tangible Assets (NTA), which is expected to become the most relevant NAV measure for the Group and we expect this to be our primary NAV measure going forward. EPRA NTA adjusts EPRA NAV, our existing key NAV measure, by excluding intangible assets. During 2020, we will continue to monitor and report on a combination of the previous and new EPRA NAV measures.

IFRS performance measures

	Note	Unaudited 30 June 2020	Unaudited 30 June 2019	31 December 2019
(Loss)/profit after tax	2.2c	**£(74.3)m**	£140.3m	£(89.2)m
Basic (loss)/earnings per share	2.2c	**(20.4)p**	53.3p	(31.5)p
Net assets	2.3c	**£3,273.3m**	£2,164.9m	£3,071.5m
NAV per share	2.3d	**822p**	820p	845p

EPRA performance measures

	Note	Unaudited 30 June 2020	Unaudited 30 June 2019	31 December 2019
EPRA earnings	2.2a	**£74.8m**	£61.2m	£110.6m
EPRA earnings per share	2.2c	**20.5p**	23.2p	39.1p
EPRA NAV	2.3a	**£3,325.9m**	£2,170.4m	£3,109.7m
EPRA NAV per share	2.3d	**833p**	820p	853p
EPRA NTA	7	**£3,306.1m**	£2,148.0m	£3,087.1m
EPRA NTA (diluted)	7	**£3,309.9m**	£2,150.9m	£3,091.4m
EPRA NTA per share	7	**830p**	813p	849p
EPRA NTA per share (diluted)	7	**828p**	812p	847p
EPRA NNNAV (diluted)	2.3d	**£3,207.2m**	£2,114.0m	£3,012.6m
EPRA NNNAV per share (diluted)	2.3d	**803p**	798p	826p

2.1 Segmental information

The Board of Directors monitor the business along two activity lines, Operations and Property. The reportable segments for the 6 months ended 30 June 2020 and 30 June 2019 and for the year ended 31 December 2019 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.

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 (dividends per share) are underpinned by earnings arising from purely operational activity. In 2020, in consideration of EPRA's focus on recurring income, EPRA earnings excludes integration costs. 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 56 – 61 of the 2019 Annual Report. 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 manage 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.

2.2a EPRA earnings

Unaudited 30 June 2020

		Share of joint ventures		Group on see-through basis
	Unite £m	USAF £m	LSAV £m	Total £m
Rental income	114.9	20.6	19.4	154.9
Property operating expenses	(27.5)	(6.0)	(4.0)	(37.5)
Net operating income	**87.4**	**14.6**	**15.4**	**117.4**
Management fees	11.0	(1.6)	(1.7)	7.7
Operating expenses	(13.8)	(0.1)	(0.2)	(14.1)
Lease liability interest	(4.4)	-	-	(4.4)
Net financing costs	(21.3)	(3.3)	(4.5)	(29.1)
Operations segment result	**58.9**	**9.6**	**9.0**	**77.5**
Property segment result	**(0.9)**	**-**	**-**	**(0.9)**
Unallocated to segments	**(1.6)**	**(0.1)**	**(0.1)**	**(1.8)**
EPRA earnings	**56.4**	**9.5**	**8.9**	**74.8**

Included in the above is rental income of £8.2 million and property operating expenses of £3.5 million relating to sale and leaseback properties.

The unallocated to segments balance includes the fair value of share based payments of (£0.1 million), contributions to the Unite Foundation of (£0.4 million), current tax of (£0.3 million) and deferred tax of (£1.0 million).

EPRA earnings excludes integration costs associated with the acquisition of Liberty Living, which totalled £8.1 million in the period.

Unaudited 30 June 2019

	Unite £m	Share of joint ventures USAF £m	LSAV £m	Group on see-through basis Total £m
Rental income	66.2	22.0	20.1	108.3
Property operating expenses	(14.6)	(5.5)	(3.8)	(23.9)
Net operating income	**51.6**	**16.5**	**16.3**	**84.4**
Management fees	10.6	(1.8)	(1.6)	7.2
Operating expenses	(9.0)	(0.1)	(0.2)	(9.3)
Lease liability interest	(4.7)	-	-	(4.7)
Net financing costs	(8.1)	(3.3)	(4.6)	(16.0)
Operations segment result	**40.4**	**11.3**	**9.9**	**61.6**
Property segment result	**(0.7)**	**-**	**-**	**(0.7)**
Unallocated to segments	**0.5**	**(0.1)**	**(0.1)**	**0.3**
EPRA earnings	**40.2**	**11.2**	**9.8**	**61.2**

Included in the above is rental income of £10.1 million and property operating expenses of £3.8 million relating to sale and leaseback properties. The unallocated to segments balance includes the fair value of share based payments of (£0.7 million), contributions to the Unite Foundation of (£0.4 million), fees received from USAF relating to acquisitions of £0.2 million, deferred tax charge of (£0.1 million) and current tax credit of £1.3 million.

31 December 2019

	Unite £m	Share of joint ventures USAF £m	LSAV £m	Group on see-through basis Total £m
Rental income	134.1	41.5	38.3	213.9
Property operating expenses	(33.0)	(12.2)	(7.9)	(53.1)
Net operating income	**101.1**	**29.3**	**30.4**	**160.8**
Management fees	21.0	(3.4)	(3.2)	14.4
Operating expenses	(21.1)	(0.3)	(0.4)	(21.8)
Interest on lease liabilities	(9.2)	–	–	(9.2)
Net financing costs	(18.7)	(6.7)	(9.3)	(34.7)
Operations segment result	**73.1**	**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	**80.3**	**18.7**	**11.6**	**110.6**

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).

2.2b IFRS reconciliation to EPRA earnings

EPRA earnings excludes movements relating to changes in values of investment properties (owned and leased), profits/losses from the disposal of properties, swap/debt break costs, impairment of goodwill and acquisition/integration costs, which are included in the profit/loss reported under IFRS. EPRA earnings reconcile to the (loss)/profit attributable to owners of the parent company as follows:

	Note	Unaudited 6 months to 30 June 2020 £m	Unaudited 6 months to 30 June 2019 £m	Year to 31 December 2019 £m
EPRA earnings	2.2a	**74.8**	**61.2**	**110.6**
Net valuation (losses)/gains on investment property (owned)		(102.1)	53.3	154.8
Property disposals (owned)		(0.5)	0.2	(6.2)
Net valuation loss on investment property (leased)		(3.2)	(2.3)	(8.1)
Property disposals (leased)		-	(1.1)	(1.1)
Impairment of goodwill and acquired intangible asset		-	-	(384.1)
Acquisition costs		-	(5.4)	(22.8)
Integration costs		(8.1)	-	-
Amortisation of fair value of debt recognised on acquisition		2.2	-	0.4
Share of joint venture net valuation (losses)/gains on investment property	3.3a	(33.1)	23.3	58.3
Share of joint venture property disposals		-	-	0.4
Interest rate swap payments on ineffective hedges		-	(2.4)	(2.7)
Swap cancellation and loan break costs		(5.6)	(0.5)	(2.7)
Current tax relating to Liberty Living acquisition		0.1	-	0.5
Deferred tax relating to properties		0.2	14.5	14.3
Minority interest share of reconciling items*		1.0	(0.5)	(0.8)
(Loss)/profit attributable to owners of the parent company		**(74.3)**	**140.3**	**(89.2)**

* The minority interest share, or non-controlling interest, arises as a result of the Group not owning 100% of the share capital of one of its subsidiaries, USAF (Feeder) Guernsey Ltd. More detail is provided in note 3.3.

2.2c 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 period. 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, diluted and EPRA EPS are as follows:

	Note	Unaudited 6 months to 30 June 2020	Unaudited 6 months to 30 June 2019	Year to 31 December 2019
(Loss)/earnings				
Basic		£(74.3)m	£140.3m	£(89.2)m
Diluted		£(74.3)m	£140.3m	£(89.2)m
EPRA	2.2a	£74.8m	£61.2m	£110.6m
Weighted average number of shares (thousands)				

Basic	364,054	263,186	282,802
Dilutive potential ordinary shares (share options)	959	818	1,156
Diluted	365,013	264,004	283,958
(Loss)/earnings per share			
Basic	(20.4)p	53.3p	(31.5)p
Diluted	(20.3)p	53.1p	(31.4)p
EPRA EPS	20.5p	23.2p	39.1p

The total number of ordinary shares in issue as at 30 June 2020 is 398,168,000 (30 June 2019: 264,030,000, 31 December 2019: 363,618,000).

At 30 June 2020 there were 8,313 shares excluded from the potential dilutive shares that did not affect the diluted weighted average number of shares (30 June 2019: nil, 31 December 2019: 15,545).

2.3 Net Assets

EPRA NAV per share makes adjustments to IFRS measures by principally removing some items that are not expected to materialise in normal circumstances like 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 - 66 of the 2019 Annual Report.

2.3a EPRA net assets

Unaudited 30 June 2020

		Share of joint ventures		Group on EPRA basis
	Unite £m	**USAF £m**	**LSAV £m**	**Total £m**
Investment properties (owned)	3,317.2	614.0	657.8	4,589.0
Investment properties (leased)	107.5	-	-	107.5
Investment properties under development	458.0	-	-	458.0
Total property portfolio	**3,882.7**	**614.0**	**657.8**	**5,154.5**
Debt on properties	(1,818.6)	(195.8)	(267.9)	(2,282.3)
Lease liability	(97.2)	-	-	(97.2)
Cash	557.6	7.6	29.0	594.2
Net debt	**(1,358.2)**	**(188.2)**	**(238.9)**	**(1,785.3)**
Other liabilities	(24.1)	(2.7)	(16.5)	(43.3)
EPRA net assets	**2,500.4**	**423.1**	**402.4**	**3,325.9**
Loan to value*	33%	31%	36%	33%
Loan to value post-IFRS 16	35%	31%	36%	35%

* LTV calculated excluding leased investment property and the corresponding lease liability.

Unaudited 30 June 2019

	Unite £m	Share of joint ventures USAF £m	LSAV £m	Group on EPRA basis Total £m
Investment properties (owned)	1,468.5	603.9	637.7	2,710.1
Investment properties (leased)	110.7	-	-	110.7
Investment properties under development	368.4	3.2	-	371.6
Total property portfolio	**1,947.6**	**607.1**	**637.7**	**3,192.4**
Debt on properties	(590.4)	(177.6)	(267.3)	(1,035.3)
Lease liability	(100.2)	-	-	(100.2)
Cash	106.9	5.9	25.7	138.5
Net debt	**(583.7)**	**(171.7)**	**(241.6)**	**(997.0)**
Other liabilities	(12.5)	(4.4)	(8.1)	(25.0)
EPRA net assets	**1,351.4**	**431.0**	**388.0**	**2,170.4**
Loan to value*	26%	28%	38%	29%
Loan to value post-IFRS 16	30%	28%	38%	31%

* LTV calculated excluding leased investment property and the corresponding lease liability.

31 December 2019

	Unite £m	Share of joint ventures USAF £m	LSAV £m	Group on EPRA basis Total £m
Investment properties (owned)	3,406.9	628.0	667.5	4,702.4
Investment properties (leased)	110.4	-	-	110.4
Investment properties under development	411.8	-	-	411.8
Total property portfolio	**3,929.1**	**628.0**	**667.5**	**5,224.6**
Debt on properties	(1,537.2)	(194.4)	(267.6)	(1,999.2)
Lease liabilities	(98.9)	-	-	(98.9)
Cash	86.9	5.2	22.8	114.9
Net debt	**(1,549.2)**	**(189.2)**	**(244.8)**	**(1,983.2)**
Other liabilities	(119.3)	(1.5)	(10.9)	(131.7)
EPRA net assets	**2,260.6**	**437.3**	**411.8**	**3,109.7**
Loan to value*	38%	30%	37%	37%
Loan to value post-IFRS 16	40%	30%	37%	38%

* LTV calculated excluding investment properties (leased) and the corresponding lease liabilities.

2.3b Movement in EPRA NAV during the period

Contributions to EPRA NAV by each segment during the period are as follows:

Unaudited 30 June 2020

		Share of joint ventures		Group on see-through basis
	Unite £m	USAF £m	LSAV £m	Total £m
Operations				
Operations segment result	**58.9**	**9.6**	**9.0**	**77.5**
Property				
Lost rental income due to Covid-19	(79.9)	(13.6)	(10.7)	(104.2)
Cladding provision	(5.9)	(4.0)	(3.5)	(13.4)
Yield movement	(12.0)	(0.1)	(0.1)	(12.2)
Disposal losses	(0.5)	-	-	(0.5)
Investment property losses (owned)	(98.3)	(17.7)	(14.3)	(130.3)
Investment property losses (leased)	(3.2)	-	-	(3.2)
Development property losses	(4.3)	-	-	(4.3)
Pre-contract/other development costs	(0.9)	-	-	(0.9)
Total property	**(106.7)**	**(17.7)**	**(14.3)**	**(138.7)**
Unallocated				
Shares issued	293.8	-	-	293.8
Investment in joint ventures	10.0	(6.0)	(4.0)	-
Integration costs	(8.1)	-	-	(8.1)
Dividends paid	-	-	-	-
Joint venture property acquisition fee	-	-	-	-
Swap cancellation and loan break costs	(5.6)	-	-	(5.6)
Other	(2.5)	(0.1)	(0.1)	(2.7)
Total unallocated	**287.6**	**(6.1)**	**(4.1)**	**277.4**
Total EPRA NAV movement in the period	**239.8**	**(14.2)**	**(9.4)**	**216.2**
Total EPRA NAV brought forward	2,260.6	437.3	411.8	3,109.7
Total EPRA NAV carried forward	**2,500.4**	**423.1**	**402.4**	**3,325.9**

The £2.7 million that comprises the other balance within the unallocated segment includes a tax charge of (£1.3 million), fair value of share-based payments charge of (£0.1 million), (£0.4 million) for contributions to the Unite Foundation and (£0.7 million) purchase of own shares.

Unaudited 30 June 2019

		Share of joint ventures		Group on see-through basis
	Unite £m	**USAF £m**	**LSAV £m**	**Total £m**
Operations				
Operations segment result	**40.4**	**11.3**	**9.9**	**61.6**
Property				
Rental growth	26.8	7.4	10.5	44.7
Yield movement	8.6	0.7	4.3	13.6
Disposal gains	0.2	-	-	0.2
Investment property gains (owned)	35.6	8.1	14.8	58.5
Investment property losses (leased)	(2.3)	-	-	(2.3)
Disposal losses (leased)	(1.1)	-	-	(1.1)
Development property gains	17.9	-	-	17.9
Pre-contract/other development costs	(0.7)	-	-	(0.7)
Total property	**49.4**	**8.1**	**14.8**	**72.3**
Unallocated				
Shares issued	0.2	-	-	0.2
Investment in joint ventures	18.5	(11.2)	(7.3)	-
Acquisition costs	(5.4)	-	-	(5.4)
Dividends paid	(47.6)	-	-	(47.6)
Joint venture property acquisition fee	0.3	(0.1)	-	0.2
Swap cancellation and loan break costs	(0.5)	-	-	(0.5)
Other	1.4	(0.3)	(0.1)	1.0
Total unallocated	**(33.1)**	**(11.6)**	**(7.4)**	**(52.1)**
Total EPRA NAV movement in the period	**56.7**	**7.8**	**17.3**	**81.8**
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	**1,351.4**	**431.0**	**388.0**	**2,170.4**

The £1.0 million that comprises the other balance within the unallocated segment includes a tax credit of £1.3 million, fair value of share-based payments charge of (£0.7 million) and (£0.4 million) for contributions to the Unite Foundation.

31 December 2019

	Unite	Share of joint ventures		Group on see-through basis
	Unite £m	USAF £m	LSAV £m	Total £m
Operations				
Operations segment result	**73.1**	**18.9**	**17.5**	**109.5**
Property				
Rental growth	54.2	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 gains (owned)	69.1	14.2	42.9	126.2
Investment property losses (leased)	(8.1)	-	-	(8.1)
Disposal losses (leased)	(1.1)	-	-	(1.1)
Development property gains	80.2	-	-	80.2
Pre-contract/other development costs	(1.5)	-	-	(1.5)
Total property	**138.6**	**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	531.0	-	-	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 loan break costs	(2.7)	-	-	(2.7)
Other	(3.6)	(0.2)	(0.1)	(3.9)
Total unallocated	**754.2**	**(19.0)**	**(19.3)**	**715.9**
Total EPRA NAV movement in the year	**965.9**	**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	**2,260.6**	**437.3**	**411.8**	**3,109.7**

The £531.0 million acquisition of Liberty Living balance represents the fair value of the net assets that were acquired of £1,045.8 million less the cash consideration of £492.0 million and acquisition costs of £22.8 million (further details can be found in note 6 of the 2019 Annual Report).

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.

2.3c Reconciliation to IFRS

To determine EPRA NAV, net assets reported under IFRS are amended to exclude 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. The net assets reported under IFRS reconcile to EPRA NAV and EPRA NNNAV as follows:

	Note	Unaudited 30 June 2020 £m	Unaudited 30 June 2019 £m	31 December 2019 £m
Net asset value reported under IFRS		**3,273.3**	**2,164.9**	**3,071.5**
Mark to market interest rate swaps		25.4	7.6	8.3
Unamortised swap gain		(2.0)	(2.1)	(2.1)
Unamortised fair value of debt recognised on acquisition		30.2	-	32.4
Current tax		-	-	(0.4)
Deferred tax		(1.0)	-	-
EPRA NAV	**2.3a**	**3,325.9**	**2,170.4**	**3,109.7**
Mark to market of fixed rate debt		(98.2)	(51.7)	(93.5)
Mark to market interest rate swaps		(25.4)	(7.6)	(8.3)
Current tax		-	-	0.4
Deferred tax		1.0	-	-
EPRA NNNAV		**3,203.3**	**2,111.1**	**3,008.3**

2.3d 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 period. The Board uses EPRA NAV and EPRA NNNAV to monitor the performance of the Property segment on a periodic basis.

	Note	Unaudited 30 June 2020	Unaudited 30 June 2019	31 December 2019
Net assets				
Basic	2.3c	**£3,273.3m**	£2,164.9m	£3,071.5m
EPRA NAV	2.3a	**£3,325.9m**	£2,170.4m	£3,109.7m
EPRA NAV (diluted)		**£3,329.7m**	£2.173.3m	£3,114.0m
EPRA NNNAV (diluted)		**£3,207.2m**	£2,114.0m	£3,012.6m
Number of shares (thousands)				
Basic		**398,168**	264,138	363,618
Outstanding share options		**1,441**	856	1,309
Diluted		**399,609**	264,994	364,927
Net asset value per share				
Basic		**822p**	820p	845p
EPRA NAV		**835p**	822p	855p
EPRA NAV (diluted)		**833p**	820p	853p
EPRA NNNAV (diluted)		**803p**	798p	826p

2.4. Revenue and costs

The Group earns revenue from the following activities:

		Note	Unaudited 6 months to 30 June 2020 £m	Unaudited 6 months to 30 June 2019 £m	Year to 31 December 2019 £m
Rental income*	Operations segment	2.2a	114.9	66.2	134.1
Management fees	Operations segment		7.8	7.4	14.4
LSAV performance fee	Unallocated		-	-	5.7
USAF acquisition fee	Unallocated		-	-	2.2
			122.7	73.6	156.4
Impact of minority interest on management fees			(0.1)	(0.1)	(0.2)
Total revenue			**122.6**	**73.5**	**156.2**

* EPRA earnings includes £154.9 million (30 June 2019: £108.3 million, 31 December 2019: £213.9 million) of rental income, which is comprised of £114.9 million (30 June 2019: £66.2million, 31 December 2019: £134.1 million) recognised on wholly owned assets and a further £40.0 million (30 June 2019: £42.1 million, 31 December 2019: £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 £27.5 million (30 June 2019: £14.6 million, 31 December 2019: £33.0 million).

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 EPRA Net Asset Value (NAV), one of the Group's key performance indicators and EPRA NTA.

The following pages provide disclosures about the Group's investments in property assets and joint ventures and their performance over the period.

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 and EPRA NTA, 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. These assets are held at fair value in the balance sheet with changes in fair value taken to the income statement.

3.1a Valuation process

The valuation 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 Knight Frank, Chartered Surveyors were the valuers in the 6 months ending 30 June 2020 and throughout 2019.

The valuations are based on both:

- 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 period.

In respect of valuations undertaken as at 30 June 2020, the Group's three valuers are including an industry standard market uncertainty clause in their reports, which is set out in Section 1.

The movements in the carrying value of the Group's wholly owned property portfolio during the period ended 30 June 2020 are shown in the table below. The fair value of the Group's wholly owned property portfolio at the period ended 30 June 2020 is also shown below:

Unaudited 30 June 2020

	Investment property (owned) £m	Investmen t property (leased) £m	Investment property under development £m	Total £m
At 1 January 2020	**3,406.9**	**110.4**	**411.8**	**3,929.1**
Cost capitalised	8.1	0.3	47.2	55.6
Interest capitalised	-	-	3.3	3.3
Transfer from work in progress	-	-	-	-
Disposals	-	-	-	-
Valuation gains	24.3	-	10.2	34.5
Valuation losses	(122.1)	(3.2)	(14.5)	(139.8)
Net valuation losses	(97.8)	(3.2)	(4.3)	(105.3)
Carrying value and market value at 30 June 2020	**3,317.2**	**107.5**	**458.0**	**3,882.7**

The movements in the carrying value of the Group's wholly owned property portfolio during the period ended 30 June 2019 are shown in the table below. The fair value of the Group's wholly owned property portfolio at the period ended 30 June 2019 is also shown below:

Unaudited 30 June 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	-	128.0	-	128.0
Cost capitalised	5.4	0.7	66.5	72.6
Interest capitalised	-	-	5.1	5.1
Transfer from work in progress	-	-	-	-
Disposals	(69.4)	(15.7)	-	(85.1)
Valuation gains	48.5	-	23.1	71.6
Valuation losses	(13.1)	(2.3)	(5.2)	(20.6)
Net valuation gains / (losses)	35.4	(2.3)	17.9	51.0
Carrying value and market value at 30 June 2019	**1,468.5**	**110.7**	**368.4**	**1,947.6**

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.

31 December 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	-	128.0	-	128.0
Acquired through business combination	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 / (losses)	74.6	(8.1)	80.2	146.7
Carrying value and market value at 31 December 2019	**3,406.9**	**110.4**	**411.8**	**3,929.1**

3.1b Fair value measurement

All investment and development properties are classified as Level 3 in the fair value hierarchy.

Class of asset	6 months to 30 June 2020 £m	6 months to 30 June 2019 £m	31 December 2019 £m
London – Rental properties	1,014.8	531.4	1,015.0
Prime provincial – Rental properties	867.4	306.1	876.5
Major provincial – Rental properties	1,151.1	409.6	1,198.1
Other provincial – Rental properties	283.9	221.4	317.3
London – Development properties	255.5	71.2	245.1
Prime provincial – Development properties	95.3	159.4	76.1
Major provincial – Development properties	107.2	137.8	90.6
Other provincial – Development properties	-	-	-
Investment property (owned)	**3,775.2**	**1,836.9**	**3,818.7**
Investment property (leased)	**107.5**	**110.7**	**110.4**
Market value	**3,882.7**	**1,947.6**	**3,929.1**

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 valuation also reflects 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 credit worthiness.

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.

3.1c Quantitative information about fair value measurements using unobservable inputs (Level 3)

	Fair value £m	Valuation technique	Unobservable inputs	Range	Weighted average
London - Rental properties	1,014.8	Discounted cash flows	Net rental income (£ per week)	£190-£370	£291
			Estimated future rent (%)	2%-3%	3%
			Discount rate (yield) (%)	3.9%-5.0%	4.0%
Prime provincial - Rental properties	867.4	Discounted cash flows	Net rental income (£ per week)	£140-£229	£168
			Estimated future rent (%)	2%-3%	3%
			Discount rate (yield) (%)	4.0%-6.2%	4.8%
Major provincial - Rental properties	1,151.1	Discounted cash flows	Net rental income (£ per week)	£82-£162	£130
			Estimated future rent (%)	1%-3%	3%
			Discount rate (yield) (%)	4.7%-7.0%	5.8%
Other provincial - Rental properties	283.9	Discounted cash flows	Net rental income (£ per week)	£87-£188	£136
			Estimated future rent (%)	3%-4%	3%
			Discount rate (yield) (%)	5.0%-13.8%	6.8%
London - Development properties	255.5	Discounted cash flows	Estimated cost to complete (£m)	£21.5m-£86.2m	£58.6m
			Estimated future rent (%)	3%	3%
			Discount rate (yield) (%)	4.0%	4.0%
Prime provincial - Development properties	95.3	Discounted cash flows	Estimated cost to complete (£m)	£5.9m-£65.3m	£29.9m
			Estimated future rent (%)	3%	3%
			Discount rate (yield) (%)	4.3%-5.0%	4.7%
Major provincial - Development properties	107.2	Discounted cash flows	Estimated cost to complete (£m)	£7.8m-£45.9m	£22.6m
			Estimated future rent (%)	3%	3%
			Discount rate (yield) (%)	4.5%	4.5%
	3,775.2				
Investment property (leased)	107.5	Discounted cash flows	Net rental income (£ per week)	£129-£185	£147
			Estimated future rent (%)	3%	3%
			Discount rate (yield) (%)	6.8%	6.8%
Fair value at 30 June 2020	**3,882.7**				

	Fair value £m	Valuation technique	Unobservable inputs	Range	Weighted average
London - Rental properties	531.4	Discounted cash flows	Net rental income (£ per week)	£192-£367	£274
			Estimated future rent (%)	3%-7%	3%
			Discount rate (yield) (%)	3.9%-5.0%	4.1%
Prime provincial - Rental properties	306.1	Discounted cash flows	Net rental income (£ per week)	£142-£171	£159
			Estimated future rent (%)	1%-4%	3%
			Discount rate (yield) (%)	4.5%-6.0%	5.0%
Major provincial - Rental properties	409.6	Discounted cash flows	Net rental income (£ per week)	£98-£152	£137
			Estimated future rent (%)	2%-6%	3%
			Discount rate (yield) (%)	4.8%-6.1%	5.6%
Other provincial - Rental properties	221.4	Discounted cash flows	Net rental income (£ per week)	£107-£181	£147
			Estimated future rent (%)	4%-7%	4%
			Discount rate (yield) (%)	5.0%-15.5%	6.1%
London - Development properties	71.2	Discounted cash flows	Estimated cost to complete (£m)	£42.2m-£173.8m	£108.0m
			Estimated future rent (%)	3%	3%
			Discount rate (yield) (%)	4.0%	4.0%
Prime provincial - Development properties	159.4	Discounted cash flows	Estimated cost to complete (£m)	£3.5m-£76.9m	£33.5m
			Estimated future rent (%)	3%	3%
			Discount rate (yield) (%)	4.4%-5.4%	4.6%
Major provincial - Development properties	137.8	Discounted cash flows	Estimated cost to complete (£m)	£4.7m-£49.5m	£34.1m
			Estimated future rent (%)	3%	3%
			Discount rate (yield) (%)	5.2%-5.6%	5.3%
	1,836.9				
Investment property (leased)	110.7	Discounted cash flows	Net rental income (£ per week)	£121-£167	£141
			Estimated future rent (%)	3%	3%
			Discount rate (yield) (%)	6.8%	6.8%
Fair value at 30 June 2019	**1,947.6**				

	Fair value £m	Valuation technique	Unobservable inputs	Range	Weighted average
London - Rental properties	1,015.0	Discounted cash flows	Net rental income (£ per week)	£192-£367	£277
			Estimated future rent (%)	3%-5%	4%
			Discount rate (yield) (%)	3.9%-5.0%	4.0%
Prime provincial - Rental properties	876.5	Discounted cash flows	Net rental income (£ per week)	£137-£212	£163
			Estimated future rent (%)	2%-5%	3%
			Discount rate (yield) (%)	4.5%-6.0%	5.0%
Major provincial - Rental properties	1,198.1	Discounted cash flows	Net rental income (£ per week)	£74-£157	£129
			Estimated future rent (%)	2%-5%	3%
			Discount rate (yield) (%)	4.8%-6.1%	5.7%
Other provincial - Rental properties	317.3	Discounted cash flows	Net rental income (£ per week)	£107-£181	£138
			Estimated future rent (%)	1%-4%	3%
			Discount rate (yield) (%)	5.0%-15.5%	6.6%
London - Development properties	245.1	Discounted cash flows	Estimated cost to complete (£m)	£30.8m-£91.4m	£65.6
			Estimated future rent (%)	3%	3%
			Discount rate (yield) (%)	4.0%	4.0%
Prime provincial - Development properties	76.1	Discounted cash flows	Estimated cost to complete (£m)	£16.8m-£76.4m	£43.2m
			Estimated future rent (%)	3%	3%
			Discount rate (yield) (%)	4.8%-5.0%	4.9%
Major provincial - Development properties	90.6	Discounted cash flows	Estimated cost to complete (£m)	£35.1m - £46.8m	£39.6m
			Estimated future rent (%)	3%	3%
			Discount rate (yield) (%)	4.5%	4.5%
	3,818.7				
Investment property (leased)	110.4	Discounted cash flows	Net rental income (£ per week)	£121-£167	
			Estimated future rent (%)	3%	
			Discount rate (yield) (%)	6.8%	
Fair value at 31 December 2019	**3,929.1**				

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 30 June 2020 £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	1,014.8	1,076.4	974.9	965.5	1,094.0
Prime provincial	867.4	836.8	758.6	789.8	876.5
Major provincial	1,151.1	1,116.2	1,010.7	1,067.6	1,163.6
Other provincial	283.9	304.7	275.6	279.3	301.9
Development properties					
London	255.5	273.6	239.5	239.0	275.8
Prime provincial	95.3	102.5	90.7	91.8	101.5
Major provincial	107.2	116.5	98.2	103.6	111.7
Market value	**3,775.2**	**3,826.7**	**3,448.2**	**3,536.6**	**3,925.0**

3.2 Inventories

	Unaudited 30 June 2020 £m	Unaudited 30 June 2019 £m	31 December 2019 £m
Interests in land	2.9	8.1	1.5
Other stocks	3.0	3.1	2.5
Inventories	**5.9**	**11.2**	**4.0**

3.3 Investments in joint ventures

The Group has two joint ventures:

Joint venture	Group's share of assets/results 2020 (December 2019)	Objective	Partner	Legal entity in which Group has interest
The UNITE UK Student Accommodation Fund (USAF)	23.4%* (23.4%)	Invest and operate student accommodation throughout the UK	Consortium of investors	UNITE Student Accommodation Fund, a Jersey Unit Trust
London Student Accommodation Venture (LSAV)	50% (50%)	Invest and operate student accommodation in London and Birmingham	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 Ltd, 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% of USAF (30 June 2019: 25.3%, 31 December 2019: 22.0%).

3.3a Movement in carrying value of the Group's investments in joint ventures

The carrying value of the Group's investment in joint ventures has decreased by £24.84 million during the 6 months ended 30 June 2020 (30 June 2019: £24.9 million increase, 30 December 2019: £55.5 million increase), resulting in an overall carrying value of £850.4 million (30 June 2019: £844.6 million, 30 December 2018: £875.2 million). The following table shows how the decrease has arisen.

	Unaudited 6 months to 30 June 2020 £m	Unaudited 6 months to 30 June 2019 £m	Year to 31 December 2019 £m
Recognised in the income statement:			
Operations segment result	18.6	21.2	36.4
Minority interest share of Operations segment result	0.6	0.7	1.1
Management fee adjustment relating to trading with joint venture	3.3	3.5	6.8
Net revaluation (losses)/gains	(33.1)	23.3	58.3
Profit on disposal of properties	-	-	0.4
Other	(0.3)	(0.5)	(0.4)
	(10.9)	**48.2**	**102.6**
Recognised in equity:			
Movement in effective hedges	(0.2)	(0.5)	(0.5)
Other adjustments to the carrying value:			
Profit adjustment related to trading with joint venture	(3.4)	(3.5)	(8.1)
LSAV performance fee	-	-	(5.7)
Distributions received	(10.3)	(19.3)	(32.8)
(Decrease)/increase in carrying value	**(24.8)**	**24.9**	**55.5**
Carrying value brought forward	875.2	819.7	819.7
Carrying value carried forward	**850.4**	**844.6**	**875.2**

3.3b 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 period.

	Unaudited 6 months to 30 June 2020 £m	Unaudited 6 months to 30 June 2019 £m	Year to 31 December 2019 £m
USAF	7.7	7.5	14.6
LSAV	3.3	3.1	6.4
Asset and property management fees	**11.0**	**10.6**	**21.0**
LSAV performance fee	-	-	11.4
USAF acquisition fee	-	0.3	2.8
Investment management fees	**-**	**0.3**	**14.2**

Total fees	11.0	10.9	35.2

On an EPRA basis, fees from joint ventures are shown net of the Group's share of the cost to the joint venture. The Group's share of the cost to the joint ventures is £3.3 million (30 June 2019: £3.4 million, 31 December 2019: £6.6 million), which results in management fees from joint ventures of £7.7 million (30 June 2019: £7.2 million, 31 December 2019: £14.4 million) being shown in the Operations segment result in note 2.2a.

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 and hedging instruments.

4.1 Borrowings

The table below analyses the Group's borrowings which comprise bank and other loans by when they fall due for payment:

	Unaudited 30 June 2020 £m	Unaudited 30 June 2019 £m	31 December 2019 £m
Current			
In one year or less, or on demand	1.4	86.2	1.4
Non-current			
In more than one year but not more than two years	1.5	1.4	1.5
In more than two years but not more than five years	1,246.0	229.1	964.7
In more than five years	567.9	271.6	567.6
	1,815.4	502.1	1,533.8
Unamortised fair value of debt recognised on acquisition	30.2	-	32.4
Total borrowings	**1,847.0**	**588.3**	**1,567.6**

The carrying value of borrowings is considered to be approximate to fair value, except for the Group's fixed rate loans as analysed below:

	Unaudited 30 June 2020		Unaudited 30 June 2019		31 December 2019	
	Carrying value £m	Fair value £m	Carrying value £m	Fair value £m	Carrying value £m	Fair value £m
Level 1 IFRS fair value hierarchy	905.3	888.3	365.0	382.2	907.4	930.9
Level 2 IFRS fair value hierarchy	206.6	216.4	232.5	246.9	231.9	244.6
Other loans and unamortised arrangement fees	735.1	735.1	(9.2)	(9.2)	428.3	428.3
Total borrowings	**1,847.0**	**1,839.8**	**588.3**	**619.9**	**1,567.6**	**1,603.8**

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.

The following table shows the fair value of interest rate swaps:

	Unaudited 30 June 2020 £m	Unaudited 30 June 2019 £m	31 December 2019 £m
Current	–	–	–
Non-current	24.6	6.9	7.6
Fair value of interest rate swaps liability	**24.6**	**6.9**	**7.6**

The fair values of interest rate swaps 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 Dividends

Following the outbreak of Covid-19 and a period of highly uncertain trading conditions, the Board took the decision to cancel the 2019 final dividend to retain cash within the business (30 June 2019: £47.6 million, 19.5p per share payment of the 2018 final dividend).

We anticipate reinstating dividend payments in 2020, following delivery of occupancy and income supportive of our guidance for EPRA EPS of 22-25 pence for FY 2020 and based on a positive outlook for the 2021/22 academic year. There is the potential to announce an interim dividend later this year (H1 2019: 10.25 pence), although timing of the reinstatement is still to be confirmed. Dividends for the 2020 financial year will reflect a portion of EPRA EPS with the payout ratio still to be determined.

There is no further Property Income Distribution (PID) to be paid by the Company in respect of the 2019 financial year.

Section 5: Related party transactions

On 26 June 2020, the Group announced completion of a share placing. The key management personnel of the Group participated and a total of 20,113 new ordinary shares in the Company were issued to these individuals for total consideration of £175,000.

Section 6: Post balance sheet events

On 20 July 2020, LDC (Portfolio 20) Limited, a wholly owned subsidiary of the Unite Group, repaid its loan with Mass Mutual of £99.4m in cash, in full. The early repayment of this loan resulted in debt exit fees of £16.9m. The loan was originally secured against 4 properties in the Unite portfolio.

Section 7: 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 2.3c. Definitions can also be found in the glossary.

	Note	6 months to 30 June 2020 £m	6 months to 30 June 2019 £m	Year to 31 December 2019 £m
EBIT				
Net operating income (NOI)	2.2a	117.4	84.4	160.8
Management fees	2.2a	7.7	7.2	14.4
Operating expenses	2.2a	(14.1)	(9.3)	(21.8)
		111.0	**82.3**	**153.4**
EBIT margin %				
Rental income	2.2a	154.9	108.3	213.9
EBIT	7	111.0	82.3	153.4
		71.7%	**76.0%**	**71.7%**
EBITDA				
Net operating income (NOI)	2.2a	117.4	84.4	160.8
Management fees	2.2a	7.7	7.2	14.4
Operating expenses	2.2a	(14.1)	(9.3)	(21.8)
Depreciation and amortisation		4.7	3.7	7.6
		115.7	**86.0**	**161.0**

	Note	30 June 2020 £m	30 June 2019 £m	31 December 2019 £m
Net debt				
Cash	2.3a	594.2	138.5	114.9
Debt	2.3a	(2,282.3)	(1,035.3)	(1,999.2)
Net debt		**(1,688.1)**	**(896.8)**	**(1,884.3)**
Net debt (adjusted)				
Cash		240.6[1]	138.5	114.9
Debt (adjusted)		(1,631.5)	(1,035.3)	(1,209.3)[2]
Net debt (adjusted)		**(1,390.9)**[3]	**(896.8)**	**(1,094.4)**

1 Calculated on a 12 month look back basis. Average of £138.5 million and £114.9 million in respect of H2 2019 and £590.4 million and £114.9 million in respect of H1 2020.

2 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).

3 Calculated on a 12 month look back basis. Average of £896.8 million and £1,094.4 million in respect of H2 2019 and £1,884.3 million and £1,688.1 million in respect of H1 2020.

	Note	6 months to 30 June 2020 £m	6 months to 30 June 2019 £m	Year to 31 December 2019 £m
Net debt: EBITDA (adjusted)				
Net debt (adjusted)	7	(1,390.9)	(896.8)	(1,094.4)
EBITDA	7	190.7[3]	147.9	161.0
Ratio		**7.3**	**6.1**	**6.8**

3 Calculated on a 12 month look back basis. £115.7 million in respect of H1 2020 and £75.0 million in respect of H2 2019.

	Note	6 months to 30 June 2020 £m	6 months to 30 June 2019 £m	Year to 31 December 2019 £m
Interest cover (Unite share)				
EBIT	7	111.0	82.3	153.4
Net financing costs	2.2a	(29.1)	(16.0)	(34.7)
Interest on lease liability	2.2a	(4.4)	(4.7)	(9.2)
Total interest		**(33.5)**	**(20.7)**	**(43.9)**
Ratio		**3.3**	**4.1**	**3.5**

Reconciliation: EPRA earnings to IFRS loss before tax

	Note	6 months to 30 June 2020 £m	6 months to 30 June 2019 £m	Year to 31 December 2019 £m
EPRA earnings	2.2a	**74.8**	**61.2**	**110.6**
Net valuation (losses)/gains on investment property (owned)	2.2b	(135.2)	76.6	213.1
Property disposals (owned)	2.2b	(0.5)	0.2	(5.8)
Net valuation losses on investment property (leased)	2.2b	(3.2)	(2.3)	(8.1)
Property disposals (leased)	2.2b	-	(1.1)	(1.1)
Impairment of goodwill	2.2b	-	-	(384.1)
Acquisition costs	2.2b	-	(5.4)	(22.8)
Integration costs	2.2b	(8.1)	-	-
Amortisation of fair value of debt recognised on acquisition	2.2b	2.2	-	0.4
Changes in valuation of interest rate swaps	2.2b	-	(2.4)	(2.7)
Debt exit costs	2.2b	(5.6)	(0.5)	(2.7)
Minority interest and tax		1.7	(0.8)	2.0
IFRS loss before tax		**(73.9)**	**125.5**	**(101.2)**

EPRA Performance Measures

	Note	30 June 2020 £m	30 June 2019 £m	31 December 2019 £m
Net assets				
EPRA NTA	7	3,306.1	2,148.0	3,087.1
EPRA NTA (diluted)		3,309.9	2,150.9	3,091.4
Number of shares (thousands)				
Basic	2.3d	398,168	264,138	363,618
Outstanding share options	2.3d	1,441	856	1,309
Diluted	2.3d	399,609	264,994	364,927
Net asset value per share (pence)				
EPRA NTA		830p	813p	849p
EPRA NTA (diluted)		828p	812p	847p

NAV metric reconciliations & bridge

	Note	30 June 2020 £m	30 June 2019 £m	31 December 2019 £m
Net asset value reported under IFRS		**3,273.3**	**2,164.9**	**3,071.5**
Mark to market interest rate swaps	2.3c	25.4	7.6	8.3
Unamortised swap gain	2.3c	(2.0)	(2.1)	(2.1)
Unamortised fair value of debt recognised on acquisition	2.3c	30.2	-	32.4
Current tax	2.3c	-	-	(0.4)
Deferred tax	2.3c	(1.0)	-	-
Real estate transfer taxes		265.3	188.8	280.5
EPRA NRV		**3,591.2**	**2,359.2**	**3,390.2**
Real estate transfer taxes		(265.3)	(188.8)	(280.5)
EPRA NAV		**3,325.9**	**2,170.4**	**3,109.7**
Intangible assets		(19.8)	(22.4)	(22.6)
EPRA NTA		**3,306.1**	**2,148.0**	**3,087.1**
Intangible assets		19.8	22.4	22.6
Mark to market of fixed rate debt	2.3c	(98.2)	(51.7)	(93.5)
Mark to market interest rate swaps	2.3c	(25.4)	(7.6)	(8.3)
Current tax	2.3c	-	-	0.4
Deferred tax	2.3c	1.0	-	-
EPRA NNNAV		**3,203.3**	**2,111.1**	**3,008.3**

EPRA like-for-like rental income

	Properties owned throughout the period £m	Development property £m	Acquisitions and disposals £m	Total Rental income £m
6 months to 30 June 2020				
Rental income	84.3	5.2	65.4	154.9
Property operating expenses	(20.7)	(1.3)	(15.5)	(37.5)
Net rental income	**63.6**	**3.9**	**49.9**	**117.4**
Year to 31 December 2019				
Rental income	93.8	-	14.5	108.3
Property operating expenses	(21.2)	-	(2.7)	(23.9)
Net rental income	**72.6**	**-**	**11.8**	**84.4**
Like-for-like gross rental income	**(10.1%)**			
Like-for-like net rental income	**(12.3%)**			

EPRA Cost ratio

	6 months to 30 June 2020 £m	Year to 31 December 2019 £m
Property operating expenses	27.5	33.0
Operating expenses	13.8	21.1
Development / pre contract costs	0.9	1.5
Unallocated expenses	0.5	4.4
	42.7	**60.0**
Share of JV property operating expenses	10.0	20.1
Share of JV operating expenses	0.3	0.7
	53.0	**80.8**
Less: Joint venture management fees	(7.7)	(14.4)
Total costs (A)	**45.3**	**66.4**
Group vacant property costs	-	-
Share of JV vacant property costs	-	-
Total costs excluding vacant property costs (B)	**45.3**	**66.4**
Rental income	114.9	134.1
Share of JV rental income	40.0	79.8
Total gross rental income (C)	**154.9**	**213.9**
Total EPRA cost ratio (including vacant property costs) (A)/(C)	**29.2%**	**31.1%**
Total EPRA cost ratio (excluding vacant property costs) (B)/(C)	**29.2%**	**31.1%**

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	3,317	(98)	(2.9)%
USAF	614	(18)	(2.8)%
LSAV	658	(14)	(2.1)%
Rental properties	**4,589**	**(131)**	**(2.8)%**
Leased properties	107	(3)	(2.9)%
Properties under development	458	(4)	(1.0%)
Properties held throughout the period	**5,154**	**(137)**	**(2.6%)**
Acquisitions	-	-	-
Disposals	-	-	-
Total property portfolio	**5,154**	**(137)**	**(2.6%)**

Property related capital expenditure

	30 June 2020			31 December 2019		
	Wholly owned	Share of JVs	Group share	Wholly owned	Share of JVs	Group share
Acquisitions	-	-	-	-	51	51
Developments	47	-	47	208	6	214
Rental properties	8	9	17	7	9	16
Other	3	-	3	9	-	9
Total property related capex	**58**	**9**	**67**	**224**	**66**	**290**

INDEPENDENT REVIEW REPORT TO THE UNITE GROUP PLC

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2020 which comprises the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in shareholders' equity, the consolidated statement of cash flows and related sections 1 to 7. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in section 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Emphasis of matter – External valuation of property portfolio

We draw attention to section 1, which describes the effects of the uncertainties created by the coronavirus (Covid-19) pandemic on the valuation of the group's investment property portfolio. As noted by the group's external valuers, the outbreak has caused extensive disruptions to businesses and economic activities and the uncertainties created have increased the estimation uncertainty over the fair value of the investment property portfolio at the balance sheet date. Our review report is not modified in respect of this matter.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the three months ended 30 June 2020 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Use of our report

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Financial Reporting Council. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

Deloitte LLP
Statutory Auditor
London, UK
29 July 2020

GLOSSARY

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. In 2020, in consideration of EPRA's focus on recurring income, EPRA earnings excludes integration costs.

Gross asset value
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.

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.

EPRA earnings per share
The earnings per share based on EPRA earnings.

EPRA net asset value (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 (NAV) 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.

EPRA Net Tangible Assets (NTA)
EPRA NTA includes all property at market value but excludes the mark to market of financial instruments, deferred tax and intangible assets. EPRA NTA provides a consistent measure of tangible NAV on a going concern basis.

EPRA Net Tangible Assets per share
The diluted NTA per share figure based on EPRA NTA.

ESG
Environmental, Social and Governance.

GRESB
GRESB is a benchmark of the Environmental, Social and Governance (ESG) performance of real assets.

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.

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
Net debt 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.

TCFD
The Taskforce on Climate-related Financial Disclosures develops voluntary, consistent climate-related financial risk disclosures for use by companies in providing information to investors, lenders, insurers, and other stakeholders.

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.
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

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