PRESS RELEASE

16 March 2021

THE UNITE GROUP PLC

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

RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

Richard Smith, Chief Executive of Unite Students, commented:

"Despite the challenges of the Covid-19 pandemic, I am proud that Unite has emerged from a tough year showing our operational resilience and building on our commitment to doing the right thing to support students. We were the first PBSA provider to forgo rents during the first national lockdown and to date have provided rental discounts to students totalling over £100 million alongside a number of other supporting measures. In particular, I would like to thank our teams for their dedication over the past year. The pandemic has also showcased the resilience of our best-in-class operating platform, which successfully delivered the integration of Liberty Living's 24,000-bed portfolio during the year.

The outlook for the business and the UK Higher Education sector is strong. A record share of school leavers are choosing to attend University, demographic growth is significant over the next decade and international student numbers continue to increase. We expect strong demand for the 2021/22 academic year, supporting a return to full occupancy and 2-3% rental growth. Together with our development and University partnership pipeline of c.4,000 beds, this provides high visibility over a rapid recovery in earnings as market conditions stabilise.

While Covid-19 provides some ongoing uncertainty, we remain confident in the medium and long-term outlook for the business thanks to our alignment to the strongest Universities as well as the significant growth opportunities from new developments, University Partnerships and by attracting more of the 955,000 students living in Houses of Multiple Occupancy. As a result, the Board is recommending a final dividend of 12.75p."

Year ended	31 December 2020	31 December 2019	Change
EPRA earnings[1,3]	£97.3m	£110.6m	(12)%
EPRA earnings per share[1,3]	25.5p	39.1p	(35)%
IFRS loss before tax	£(120.1)m	£(101.2)m	n/a
IFRS basic EPS	(31.8)p	(31.5)p	n/a
Dividend per share	12.75p	10.25p	24%
Total accounting return	(3.4)%	11.7%	
Like-for-like rental growth	(0.6)%	3.4%	
EBIT margin	62.1%	71.7%	

As at	31 December 2020	31 December 2019	
EPRA NTA per share[1]	818p	847p	(3)%
IFRS net assets per share	809p	845p	(4)%
Net debt[2]	£1,742m	£1,884m	(8)%
Loan to value[2]	34%	37%	
MSCI ESG	AA rating	AA rating	
GRESB score	81/100	72/100	

HIGHLIGHTS

EPRA earnings of £97.3 million, down 12% (2019: £110.6 million) and EPRA EPS of 25.5p, down 35% (2019: 39.1p)[3], in line with the Board's expectations

- Reflecting the acquisition of Liberty Living, rent forgone for the summer term of 2019/20 and reduced occupancy as a result of Covid-19
- IFRS loss before tax of £120.1 million (2019: loss of £101.2 million), driven by a valuation loss of £178.8 million (2019: £198.1 million gain and £384.1 million impairment of goodwill and intangibles)
- EPRA NTA down 3% to 818p (31 December 2019: 847p), resulting in a total accounting return of (3.4)% for the year (2019: 11.7%)
- LTV reduced to 34% (2019: 37%) through placing proceeds with 35% target maintained

Reinstatement of dividends with 12.75p final dividend payable in May

- Full year dividend of 12.75p (2019: 10.25p), reflecting a payout ratio of 50% of EPRA EPS (2019: 26%)
- Targeting increased payout ratio as earnings visibility improves

88% contracted occupancy and 1.1% growth in weekly rents for 2020/21 (2019/20: 98% and 3.5%)

- 95% rent collection to date for the 2020/21 academic year
- Confident in retaining headroom under all our ICR covenants

Successfully completed integration of 24,000-bed Liberty Living acquisition

- Target annual cost synergies increased from £15 million to £18 million from 2021

Anticipate strong student demand for 2021/22

- Reservations for 2021/22 at 66% with later booking cycle expected due to Covid-19 (2019/20: 77%)
- Anticipate occupancy of 95-98% and 2-3% rental growth for 2021/22

Significant and growing development pipeline

- Secured development and University partnerships pipeline of £599 million (c.4,000 beds) for delivery over the next four years, generating an attractive 6.4% yield on cost
- Opportunities to add to University partnerships and development pipeline at enhanced returns

Launch of new Sustainability Strategy, aligned to our value of 'doing what's right'

- Targeting net zero carbon operations and construction from 2030
- Commitment to providing opportunities for all, backed by new diversity targets

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, following the adoption of IFRS 16. See glossary for definitions.
3. Excludes integration and acquisition costs in relation to Liberty Living.

PRESENTATION

There will be a presentation for analysts this morning at 08:30 GMT. A live webcast will be available 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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CHAIRMAN'S STATEMENT

2020 was a uniquely challenging year for the business due to the significant disruption created by the Covid-19 pandemic. However, this has brought out the best in our business, showing the resilience of our operating platform. I am proud of the hard work and dedication shown by our teams in supporting students throughout this period. On behalf of the Board, I would like to thank our colleagues for their steadfast commitment.

Throughout the pandemic, the Board has been focused on protecting the interests of its key stakeholders with a particular focus on doing what's right for students whose lives and studies have been significantly impacted. Unite was the first Purpose-Built Student Accommodation (PBSA) provider to forgo 2020 summer term rents for students returning home due to Covid-19 during the initial lockdown. We have since offered further flexibility and rental concessions for the 2020/21 academic year to recognise the ongoing disruption experienced by students. These decisions were taken with consideration for the long-term success of the business, our reputation and our desire to show leadership within the student accommodation sector.

Our financial performance has understandably been impacted by Covid-19, with EPRA EPS down 35% to 25.5p and total accounting return reduced to (3.4)%. This performance reflects the impact of rent forgone for the summer term of 2019/20, reduced occupancy for the first term of 2020/21 and an associated valuation loss. This resulted in an IFRS loss before tax of £120.1 million (2019: loss of £101.2 million).

Over the years, the business has worked hard to reduce its environmental impact, support the wellbeing of our student customers, and promote access to Higher Education through the Unite Foundation. However, recognising the need to do more around environmental and social issues, the Board approved a new Sustainability Strategy in late 2020. It includes targets for net zero carbon operations and development by 2030, a commitment to providing opportunities for all our employees irrespective of their background, gender or ethnicity and a pledge to raise standards across the student housing sector. A Sustainability Committee of the Board has been established to oversee the implementation and development of this strategy.

As previously announced, I will retire as Chairman and step down from the Board with effect from 31 March 2021. I will be succeeded as Chairman by Richard Huntingford. My tenure as Chairman was extended to oversee the integration of the Liberty Living acquisition, which completed on schedule in September 2020, having exceeded the cost synergies targeted from the transaction. Unite is a great business with fantastic people and it has been a privilege to have played a role in its success over the past decade.

While Covid-19 creates some uncertainty, the Higher Education sector's strong fundamentals, our high-quality portfolio and pipeline, the strength of our University relationships and our market-leading operating platform provide the foundations for a rapid recovery and significant future growth. Reflecting this confidence, the Board is recommending the reinstatement of dividends with a final dividend of 12.75p payable in May.

CHIEF EXECUTIVE'S REVIEW

Despite the challenges of the Covid-19 pandemic, I am proud that Unite has emerged from a tough year showing our operational resilience and building on our commitment to doing the right thing to support students. The resilience and flexibility of our response under extremely difficult and changing circumstances has only underlined the quality of our teams and value of our operating platform, PRISM.

Our response to Covid-19

We recognise that the past year has been a particularly challenging time for all students, which is why their wellbeing, safety and security has been our priority since the start of the Covid-19 pandemic. All our properties have remained open and operational throughout the pandemic, recognising that for many students our accommodation is their only home.

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 to release students from their tenancies for the summer term. We have subsequently offered students further rental discounts for the 2020/21 academic year, reflecting the challenges and disruption students have faced during the latest lockdowns. We have also offered students significant flexibility to manage their changing circumstances, including the ability to extend their stay during summer 2020 at no further cost and flexible or delayed check-ins for the 2020/21 academic year.

We were the first student accommodation provider to be accredited with Covid-19 secure status by the British Safety Council. We have also worked closely with our University partners to agree our approach, resulting in increased provision and access to student wellbeing and mental health support during the pandemic. This has included bespoke support for students who are shielding, support for those self-isolating, online welfare checks and a pilot peer-to-peer scheme. We have also worked closely with Public Health England and local authorities during Covid-19.

Financial resilience

The business delivered a resilient financial performance in 2020 with EPRA earnings of £97.3 million and EPS of 25.5p, down 35% YoY. This reflects the impact of rent rebates for the summer term of 2019/20 and lower occupancy in the 2020/21 academic year, partially offset by cost savings made during the year. The loss before tax of £120.1 million is primarily driven by the valuation loss resulting from income reductions linked to Covid-19.

Despite the ongoing disruption created by Covid-19, we look forward to the future with confidence. We have increasing visibility over income thanks to the anticipated return of students following the Easter break, the strength of University applications and growing reservations for the coming 2021/22 academic year. This provides us with the confidence to reinstate dividends, through the payment of a final dividend of 12.75p. This represents a payout ratio of 50% for FY2020, which we intend to increase to at least 80% as market conditions stabilise.

Total accounting returns for the year reduced to (3.4)%, reflecting the valuation loss in the year. Looking forward, we expect a strong recovery in total returns from 2021, underpinned by a return to full occupancy and 2-3% growth for the 2021/22 academic year. We continue to target delivery of attractive total returns, through a balance of recurring income and capital growth.

In response to Covid-19, the business delivered £15 million of cost savings (Unite share) from insourcing of work over the summer, savings to utility and broadband costs and a four-month reduction in remuneration for Directors and cancellation of bonuses for 2020. Reflecting our cost discipline and the anticipated recovery in rental income, we are targeting an improvement in our EBIT margin to 74% by the end of 2023 (2020: 62.1%, 2019: 71.7%).

Our key financial performance indicators are set out below:

Financial highlights	2020	2019
EPRA earnings	£97.3m	£110.6m
EPRA EPS	25.5p	39.1p
IFRS loss before tax	£(120.1)m	£(101.2)m
IFRS basic EPS	(31.8)p	(31.5)p
Dividend per share	12.75p	10.25p
EPRA EPS yield	3.0%	4.9%
Total accounting return	(3.4)%	11.7%
EPRA NTA per share	818p	847p
IFRS NAV per share	809p	845p
Loan to value	34%	37%

A reconciliation of loss before tax to EPRA earnings is set out in note 7 of the financial statements.

Return to University

The Government announced its plan for a phased return of students to University on 22 February. From 8 March, Universities are able to resume in-person teaching for students who are studying practical or practice-based subjects and require specialist equipment and facilities. The Government will review the timing for the return of remaining students by the end of the Easter holiday. University campuses remain open, however we anticipate that some Universities will choose to switch to online-only teaching and assessment for the remainder of the academic year.

We know from our recent student survey that the majority want to return and enjoy University life. 86% of students are keen to get onto University campus once it is safe to do so. Meanwhile, 79% of students said they wanted to receive some face-to-face teaching in the third term, if restrictions are eased. Approximately 65% of checked-in students have now returned to our buildings, which we expect to rise further following the end of the Government’s stay at home rule on 29 March.

Over the next six months, our financial priorities are cash collection for the 2020/21 academic year and sales for 2021/22. We have now collected 95% of rent due to date for the 2020/21 academic year. As a result, we are confident in maintaining headroom against all ICR covenants across the Group and its funds and joint ventures.

Reservations for the 2021/22 academic year are encouraging at 66%, which, as expected, is slightly below the prior year level of 77%. We see strong demand for accommodation this Autumn based on an 8.5% increase in UCAS applications, but expect a later sales cycle than usual due to the uncertainty created by Covid-19. There also remains some uncertainty over the easing of UK travel restrictions later this year, which could affect some international students' ability to arrive in time for the start of the Autumn term. Positively, we have seen a c.150% increase in the daily rate of direct-let bookings since the Government published its roadmap out of lockdown on 22 February, reflecting increased confidence from both UK and international students.

Enduring appeal in the residential degree

Covid-19 has required Universities to develop new teaching methods to adapt to national lockdowns and social distancing requirements on campus. Almost all Universities provided in-person teaching in the Autumn term of 2020/21 and delivered on a 'blended' basis with face-to-face tutorials, seminars and practical work complemented by online lectures to observe social distancing guidelines. The experience has accelerated Universities' learnings around both the opportunities and limitations of online delivery.

HEPI research of student experiences in 2020 revealed a stronger perception of value-for-money before the move to remote learning in March 2020. We also know from our own surveys that students continue to see significant value in the independence that comes from living away from home and the friendships and interactions with their peers at University. This is underlined by UCAS applications data for 2021/22, which reveal a significant drop in the number of students intending to live at home while studying.

Rather than replacing the residential degree, Universities see the potential for online learning to enhance the on-campus student experience. Learning will become more personalised through higher quality face-to-face interactions in smaller groups, tutorials and practical work, supported by online content made available for students to access at a time that best suits them.

Continued investment in our best-in-class platform

In June 2020, 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 870p. The placing proceeds 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, provide around £400 million of investment capacity to capitalise on new University Partnership and development opportunities in key cities. We have already secured c.£175 million of new development opportunities since the placing across two sites in central London and Edinburgh and have a healthy pipeline of further opportunities under evaluation.

The placing proceeds were initially used to repay £207 million of secured debt at a cost of 4.8%, ahead of being deployed into new developments. As a result, the placing is immediately accretive to total accounting returns and earnings neutral, with earnings accretion as new development opportunities are delivered.

We are also in advanced discussions with GIC regarding a potential long-term extension of our LSAV joint venture, which would crystallise our performance fee during 2021.

Successful integration of Liberty Living

During 2020, we successfully completed the integration of our £1.4 billion acquisition of Liberty Living's 24,000-bed portfolio. All Liberty Living properties, customers and employees were fully integrated into our operating platform, PRISM, slightly ahead of planned timings. The Unite customer offer has also 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. I want to thank all of the former Liberty Living employees for their professionalism and commitment throughout the transition, which was challenging given the timing of the pandemic.

We realised cost synergies of £11 million in 2020 and now expect to achieve annual cost savings of £18 million from 2021 (increased from our initial target of £15 million). We incurred integration costs of £9.2 million in 2020, of which almost the entirety were recognised in H1. There are opportunities for further cost synergies to be realised over time in areas such as procurement and energy efficiency in the Liberty Living portfolio.

Creating a responsible and resilient business

A commitment to "doing what's right" is part of who we are at Unite Students. Over the years, we've worked hard to reduce our environmental impact, support the wellbeing of our student customers, and promote access to Higher Education through the Unite Foundation. In late 2019, we set out to develop a new, ambitious and comprehensive Sustainability Strategy, building on what we had already achieved to address the most materially significant environmental, social and governance challenges we face.

During 2020, we engaged with key stakeholders to understand the risks and opportunities, and how we can do more to create a positive impact. Students are concerned about a wide range of topics related to both climate change and how to make the world a fairer place, while sustainability issues are of increasing interest to investors, Universities and other stakeholders.

Having listened to our stakeholders, we have developed five overarching sustainability objectives, defining our new level of ambition and showing how we will work to make a real difference:

- **Becoming net zero carbon by 2030 –** we will reduce carbon emissions from new and existing buildings in line with climate science, ahead of the timescale set out in the Paris Climate Agreement to avoid the worst impacts of climate change. We will do this following the net zero carbon hierarchy, with a strong focus on reducing energy consumption through improving our buildings, while also strengthening the way we buy renewable energy and investing in certified carbon offsets for any residual emissions
- **Creating resilient, resource efficient assets and operations –** we will reduce the environmental impact of our new and existing buildings by improving energy and water efficiency, and also help our students to adopt lasting sustainable living habits
- **Enhancing the health and wellbeing of our employees and students –** driving real improvements in physical and mental health and wellbeing based on an understanding of their needs, through improvements to our service model, physical assets and employee support programmes
- **Providing opportunities for all –** including students, employees and in the communities where we work, where all can succeed, whatever their background, gender or ethnicity
- **Leading the student housing sector –** we will work to raise standards across the student housing sector, and deliver value to our customers and investors

We will be announcing more details on these commitments in our 2020 annual report, including targets, timescales and plans, and are committed to sharing information on our progress and performance through regular and transparent reporting.

During 2020, we formally signed up as a supporter of the Task Force on Climate Related Financial Disclosure (TCFD) and will be publishing more details of our plan for full adoption in 2021, including our net zero carbon pathway. Our sustainability performance is measured by a range of leading external benchmarks, including GRESB, CDP and the EPRA sBPR and we achieved material year-on-year improvements in our ratings for GRESB (4*, 81/100) and CDP (B for Climate Change) in 2020.

Safe and secure

Safety forms a key part of how we operate as a responsible business, underpinned by our commitment to go above and beyond minimum standards to provide a safe and secure environment for our students and employees. Covid-19 has only underlined the importance of this commitment.

In response to Covid-19, we introduced a number of new and enhanced Covid-19 secure operating practices for the 2020/21 academic year. These included 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, Unite was also the first student accommodation provider to be accredited with Covid-19 secure status by the British Safety Council as well as achieving the Sword of Honour for excellence in the management of occupational health and safety.

Our investments in our sector-leading operating platform, PRISM, and our MyUnite app have also helped to facilitate digital interactions between Unite employees and students - such as bookings, maintenance requests, parcel collections and logging of issues - and provide opportunities for enhanced service to students. We used the Unite app to manage arrivals and check-ins to ensure students were welcomed in a safe and secure environment.

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

We also work closely with the Ministry of Housing, Communities and Local Government (MHCLG) to ensure our properties comply with emerging guidelines. As part of this, following the tragic events at Grenfell Tower, we were one of the first companies to take action to remove Aluminium Composite Materials (ACM) cladding from our buildings where needed, in line with Government advice. During 2020, and in accordance with the Government's Building Safety Advice of 20 January 2020, we undertook a thorough review of the use of High-Pressure Laminate (HPL) cladding on our properties.

We have identified 19 properties with HPL across our estate, all but three of which are greater than 18 metres in height. We are currently carrying out the replacement of HPL cladding on these properties, with activity prioritised according to our risk assessments, starting with those over 18 metres in height. In line with our value of doing what's right, we will remove this cladding where it fails to meet regulations.

All of our properties have been confirmed as safe to operate and occupy by independent fire safety experts, reflecting a wide range of fire safety measures across our portfolio as well as the special measures put in place at the affected buildings, including increased building patrols by staff, additional alarm measures and other property specific factors such as sprinklers, fire prevention and evacuation plans.

The cost of replacing the HPL cladding is expected to be £79.9 million (Unite share: £33.8 million), which will be incurred over the next 12-36 months. We have fully provided for this spend in our year end balance sheet.

We are fully supportive of the Government's actions to improve fire safety in the UK. This is likely to result in more stringent fire safety regulations over the coming years. As we have done to date, we will ensure we are aligned to fire safety regulations as they evolve and will continue to make any required investment. We are seeking to mitigate the costs to Unite of cladding replacement in our buildings through claims from contractors under build contracts, where appropriate. We also await further details of the Government's recently announced cladding levy for new residential developments.

Partner of choice for Universities

Our reputation with partner Universities is a key strategic advantage for Unite. In a highly competitive environment, Universities increasingly recognise the importance of high quality, affordable accommodation in their ability to attract and retain students and ensure their satisfaction.

We believe the decisive actions taken by the business in response to Covid-19 have enhanced our reputation with Universities. Covid-19 has also intensified the operational and financial pressures faced by Universities, which we expect to create a growing appetite for partnerships with leading PBSA operators in delivering their long-term accommodation strategies. 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. Unite is already viewed as a strategic partner by Universities, building on our best-in-class operating platform and the commitment of 1,900 people whose understanding of students is informed by our 30-year history in the Higher Education sector.

For the 2020/21 academic year 39,250 beds are let under nomination agreements, representing 60% of total beds sold (2019/20: 41,500 and 59%). The reduction in beds under nomination agreements for 2020/21 reflects the impact of Covid-19 on occupancy and our willingness to provide flexibility to highly valued University partners on a selective basis. With an average remaining life of six years, our multi-year nomination agreements provide us with visibility for average annual rental growth of 2% over the next five years at current levels of inflation.

During 2020, we completed a new University Partnership with the University of Bristol, covering around 3,000 beds. We are also in active discussions with three high-tariff Universities over potential partnerships, covering around 7,000 existing and new beds, which we are looking to progress over the next 12-18 months. These discussions cover a range of potential solutions on a city-wide basis, including multi-year nomination agreements for our existing operational assets, on-campus and off-campus developments and stock transfer.

Operating quality buildings

The quality, location and scale of our portfolio is a key component of our business model and long-term strategy. We aim to operate high quality, affordable buildings and offer a range of price points to meet the needs of different students. Our properties are located in and around leading Universities where student demand is strongest, supporting high levels of occupancy and rental growth. Our portfolio activity is focused on increasing our alignment to high and mid-ranked Universities and being in the best locations. For the 2020/21 academic year, 87% of our income is generated by students attending such Universities (2019/20: 88%), increasing to 88% on delivery of our secured development pipeline and contracted disposals.

Value for money is the most important factor influencing students' decisions on where to live. Our accommodation is now cheaper than the private rented sector on a comparable basis, including bills and contents insurance. That is before allowing for the hassle-free services we also provide, including on-hand maintenance teams and help when it's needed from our 24/7 customer support centre and dedicated welfare teams. The significant support and flexibility we have offered during Covid-19 has also demonstrated to students and parents the value of a trusted, institutional landlord.

During 2020, we opened 2,257 new beds and have sold 242 beds to third parties. Taking into account these activities, together with valuation movements, the value of our investment portfolio (including our share of USAF and LSAV) is £4.9 billion as at 31 December 2020 (2019: £4.7 billion).

Despite the disruption resulting from Covid-19 and lockdown restrictions, we made excellent progress in our development pipeline during the year. We delivered three buildings for the 2020/21 academic year, with approximately 40% of the beds secured under nomination agreements with an average life of 22 years, supporting our quality of income. Development of our schemes at Middlesex Street in London and Old BRI in Bristol was suspended during the first national lockdown to conserve cash and ensure the safety of workers on site. We have now recommenced construction on both sites for delivery in 2022.

We intend to maintain a development run-rate of approximately 1,500-2,000 beds or £150-200 million of annual capital expenditure, with opportunities once again emerging in London as demand has weakened from some competing asset classes. London remains our most under-supplied market, with some of our strongest University relationships.

Disposals remain an important part of our strategy and we will continue to recycle assets out of our portfolio to ensure that we increase our exposure to the UK's best Universities, while generating capital to invest in further development activity and other investment opportunities. We completed the disposal of one wholly-owned property for £10 million in 2020, in line with book value. We are targeting £200-300m of disposals in 2021 (Unite share) in anticipation of improving liquidity as greater visibility emerges over occupancy and income for the 2021/22 academic year.

Our ongoing disposal plan will be used to keep LTV to our medium-term target of 35% as we deliver our secured development pipeline. This disciplined approach to portfolio optimisation underpins our ability to sustain rental growth over a longer time horizon.

Government policy

The Government's final response to the Augar Report on post-18 education and funding is now expected later this year alongside the next Comprehensive Spending Review. The recent Skills for Jobs White Paper underlines the Government's commitment to widen participation in post-18 education and strengthen the global standing of the UK Higher Education (HE) sector. We expect an increased focus on the quality of HE provision and research, leading to a further concentration of student numbers and funding in high tariff, research-intensive Universities and leading teaching-led Universities. We are confident that our strategic alignment to high and mid-ranked Universities positions us to successfully navigate future changes to the Government's HE policy.

Growing demand for Higher Education

The outlook for student accommodation remains positive, with structural factors continuing to drive a demand-supply imbalance for our product. Demographic growth will see the number of UK 18 year olds increase by 178,000 by 2030. Participation rates also continue to grow and are now at their highest ever level, reflecting the value young adults place on a higher level of education and the life experience and opportunities it offers. Applications data for the 2021/22 academic year is very encouraging with an 8.5% increase in applicants as at the 29 January deadline.

The Government is targeting a c.80,000 increase in international student numbers by 2030, aided by the introduction of a new two-year post-study visa (three years for postgraduates). This ambition is underpinned by the UK Higher Education sector's global standing and the strength of its Universities. The UK is the second most popular destination for international students and 26 UK Universities feature in the top 200 of the QS World University rankings. Unite works with 20 of these Universities.

Given constraints on new supply of University-owned stock and private-rented housing, the vast majority of this new demand will need to be met by corporate PBSA providers.

Brexit will have a negative impact on EU student numbers from 2021/22, who account for 9% of our customers, due to the loss of home fee status and access to a tuition fee loan. We expect a 30-40% reduction in demand from EU students, equating to 3-4% of our customer base by 2023/2024. However, we are confident in our ability to absorb this impact thanks to the coinciding demographic growth for UK students and the supportive environment for the recruitment of non-EU students.

Board changes

Our Chairman, Phil White, will be stepping down from his role with effect from 31 March 2021. The Board would like to thank Phil for his service. During his Chairmanship, the Group has, among other things, grown within the FTSE 250 and become a leading European REIT and, more recently, completed the successful acquisition and integration of Liberty Living. His leadership has been especially critical as the Board navigated Covid-19 through 2020 and into 2021. Phil has ensured the business is ready and resilient to embrace the risks and opportunities ahead. Phil will be succeeded by Richard Huntingford who is the Chairman of Future plc, a FTSE 250 global platform for specialist media, and who joined the Board in December 2020.

Outlook

The outlook for the business remains strong, reflecting the underlying strength of student demand, our alignment to the strongest Universities and the capabilities of our best-in-class operating platform. There are significant growth opportunities for the business created by growing student numbers, the ongoing shortage of high quality and affordable purpose-built student accommodation, Universities' need to deliver an exceptional student experience through their accommodation and the growing awareness of the benefits of PBSA among non-1st year students. In particular, we see opportunities for new developments and University partnerships, building on the strength of our enhanced reputation in the sector.

Despite uncertainty created by Covid-19, Brexit and the review of Higher Education funding, we remain well positioned for a rapid recovery in earnings. Positive progress with Covid-19 vaccinations in the UK will enable a full reopening of the UK economy. Moreover, the early strength of applications data and reservations for the 2021/22 academic year are supportive of a return to full occupancy and positive rental growth. We are also confident in the medium-term outlook for earnings growth, driven by a return to sustainable c.3% p.a. rental growth, our substantial secured development pipeline and further opportunities to deploy capital into new development and University partnership opportunities at attractive returns.

MARKET REVIEW

Record student numbers and participation rates

Full-time student numbers reached record levels of two million for the 2019/20 academic year. The number of applicants and the number of students accepted onto courses in 2020 was 729,000 and 570,000 respectively (2019: 706,000 and 541,000). A 5.4% YoY increase in acceptances was driven by a record participation rate among UK 18-year-olds and a 17% increase in acceptances from non-EU students.

The initial applications data for the 2021/22 academic year is very encouraging, with overall applications up 8.5%. UK applications are up by 12%, reflecting a record application rate of 43% for school leavers (2020/21: 40%) as well as strong growth from mature students. Non-EU applications increased by 17% YoY, reflecting strong demand from China and India, which substantially offset the 40% decline in EU students following the loss of home fee status and access to tuition fee loans post-Brexit.

Given disruption caused by Covid-19, the Government has stated that A-Level students will not be in a position to sit their exams fairly this summer. As a result, grades will be awarded based on teacher assessments to allow students to progress fairly.

The outlook for student numbers remains strong. Demographic growth is significant over the next decade, with the 18-year-old population returning to 2010's height by 2024 and continuing to grow strongly thereafter. This would imply demand for around 220,000 additional UK undergraduate places by 2030 at current participation rates. We do not expect this new demand to be distributed evenly, with growth likely to be concentrated in high-tariff and teaching-led Universities delivering strong graduate outcomes. Regional differences in demographics are also significant – London sees the greatest demographic growth over the next 10-15 years and is therefore expected to see the greatest increase in places required (HEPI).

The UK Government's international education strategy is targeting growth in international student numbers to at least 600,000 by 2030, representing at least an additional 80,000 international students. In September 2019, the Government announced a new two-year post-study work visa for international students (three years for postgraduates), starting from the 2020/21 academic year. The change has already aided the UK's international competitiveness in the Higher Education sector, leading to significant growth in demand from China and India over the past two years. The Government is actively seeking to broaden the demand pool from international markets with opportunities for the UK to increase its market share of student arrivals from Africa and Asian countries, outside of China.

Higher Education policy

In January 2021, the Government published its interim conclusions on the Augar review of post-18 education and funding. The Government's key objectives are to drive up the quality of Higher Education provision, promote accessibility for students and maintain a financially sustainable student finance system. This will include consideration of the Augar Report's recommendations, including student finance terms and conditions, minimum entry requirements and the treatment of foundation years. The final conclusions on the Augar review will be published alongside the next Government Comprehensive Spending Review.

The Government also published its Skills for Jobs White Paper in January 2021, setting out a blueprint for a post-16 education system that enables every student with the aptitude and desire to go to University to be able to do so, alongside enhanced provision of technical qualifications, aligned to the needs of employers. This includes a new Lifetime Skills Guarantee, giving access to a lifelong loan entitlement equivalent to four years of post-18 education.

We are encouraged by the Government's commitment to post-18 education and remain confident that our strategy of delivering high quality, affordable homes for students and relationships with the best Universities in the UK positions us to successfully navigate future policy changes in these areas.

Impact of Brexit

From 1 January 2021, EU students planning to study in the UK will be required to apply for a student visa unless exempt due to pre-settled status or Irish nationality. EU students starting their courses in 2020/21 or before will continue to benefit from home fee status and have access to tuition fee loans for the duration of their courses. EU undergraduate students starting courses from 2021/22 will no longer benefit from home fee status, meaning tuition fees are expected to rise by more than 50% on average from £9,250 to the higher rates paid on average by non-EU students. EU students will also no longer have access to a tuition fee loan.

The number of EU students studying in the UK increased to 135,000 in 2019/20, made up by 100,000 undergraduates and 35,000 postgraduate students. EU students account for 9% of our let bed spaces for the 2020/21 academic year. UCAS applications for 2021/22 report a 40% reduction in applications from EU undergraduates, reflecting the impact of Brexit and travel restrictions linked to Covid-19. If this is reduction is sustained over the coming years, it would equate to a reduction of around 3% of total students by 2023.

The Government has announced a new £100 million Turing Scheme for around 35,000 students to study and work abroad, which will replace the UK's participation in Erasmus+ starting from September 2021. The trade and cooperation agreement with the EU also enables the UK to continue to participate in the EU's Horizon 2020 Research and Innovation programmes.

Resilient occupancy and rental growth

The UK PBSA market delivered rental growth of 1.8% for the 2020/21 academic year (Cushman & Wakefield), a reduction on the 2.6% delivered in 2019/20, reflecting weaker occupancy as a result of disruption created by Covid-19. JLL's Student Housing Leasing Survey reported a reduction in occupancy to 83% in 2020/21 from 98% in

2019/20, with average tenancy lengths also reduced due to operators offering flexible start dates in response to delays to University term dates.

Across the sector, beds under nomination or lease agreements produced rental growth of 2.2% in 2020/21, above the 1.5% rental growth delivered by direct-let beds. This reflects short-term pressure on direct-let rents in markets with a high dependence on international students, where occupancy was more significantly impacted by Covid-19. We remain focused on providing a cluster-led ensuite product at more affordable price points, which aligns with the requirements of our University partners.

Regional markets delivered rental growth of 1.9% for 2020/21, outperforming the 0.8% growth witnessed in London where occupancy tends to over-index towards international students (CBRE). However, this masks a significant spread in performance at a city level with Prime regional markets delivering 3.0% rental growth, while Secondary markets saw a 0.7% decline in rents.

For the 2020/21 academic year, average weekly ensuite rents for corporate PBSA ranged from £125-175 per week in major provincial markets and £238 per week in London (Cushman & Wakefield). This compares to Unite's average ensuite rent of £137 in provincial markets and £219 in London. The largest segment of PBSA demand remains at a price point of between £100 to £150 per week, where there is also the opportunity to attract more non-1st year students from the private rented sector. More than two thirds (69%) of Unite beds in provincial markets are priced below £150 per week.

Current UK inflation implies a slight reduction in rental growth from multi-year nomination agreements with fixed or inflation-linked annual rental increases for 2021/22 to around 2%. Based on our expectation of an enhanced campus experience for students and a relaxation of international travel restrictions, we anticipate a return to full occupancy and positive rental growth in 2021/22.

Strong investment appetite

The PBSA sector's strong fundamentals and a track record of consistent rental growth continues to attract significant volumes of capital, despite a reduction in investment volumes in the wider UK real estate sector due to political uncertainties. Approximately £6 billion of assets traded in 2020 (CBRE), in line with record transaction volumes witnessed in 2015. In February 2020, Blackstone agreed to acquire iQ's 28,000-bed portfolio for £4.7 billion. 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. We expect the increasing focus on operating platforms and scale to drive further consolidation of the PBSA sector in the UK. The remaining £1.3 billion of assets traded in the year were largely small portfolios or single assets, in line with previous years

There remains a strong appetite to deploy capital in the sector, with investment demand principally coming from international or institutional investors. As the sector has matured, investors have become more focused regarding strength of location, the health of local Universities, building amenities and fire safety. Given lower visibility over occupancy for the 2020/21 and 2021/22 academic years due to Covid-19, transaction pricing is likely to be stronger where sellers are willing to provide a one-year income guarantee to buyers.

Stable property yields

Yields in the sector have remained stable over the past year, reflecting continued investor demand and the resilient income characteristics of the sector. However, we continue to see a growing divergence in pricing between prime and secondary markets. London and Prime regional assets saw modest yield compression in 2020, reflecting valuation evidence provided by Blackstone's acquisition of iQ and other market transactions as well as the strong growth in applications for high-tariff Universities.

Demand for secondary and tertiary assets has reduced, resulting in yields in some provincial markets continuing to drift higher. This reflects a weakening demand-supply balance in some cities where student numbers are reducing or significant new supply is yet to be fully absorbed. In aggregate, these markets account for less than 10% of our portfolio valuation on a see-through basis. However, we consider income performance and asset pricing to be well supported in good-quality secondary markets, providing value-for-money accommodation with the potential to attract students from the private rented sector.

Looking forward, we see yields remaining broadly stable in 2021, albeit with continuing polarisation between prime and secondary markets in a competitive market for student numbers.

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

	31 Dec 2020	31 Dec 2019
London	3.90-4.25%	4.00-4.25%
Prime provincial	4.50-5.00%	4.50-5.00%
Major provincial	5.00-6.00%	5.00-5.50%
Provincial	6.25-7.50%	6.00-7.25%

New supply expected to slow

The PBSA sector now provides homes to over 680,000 students, representing around one-third of the UK's student population. At this level, there still remains a c.310,000 shortfall in beds compared to the numbers of 1st-year and international students, before taking account of the increasing numbers of 2nd and 3rd-year students who are choosing this type of accommodation.

2020 saw the delivery of an additional 25,000 beds across 32 different UK markets, of which just over half was delivered in the 27 cities in which Unite operates. New supply in London remains very constrained, with less than 2,000 beds delivered in the year, reflecting limited land supply and more restrictive planning requirements for student accommodation in the new London plan.

A number of schemes planned for delivery in 2021 have been delayed as a result of Covid-19. This includes our developments at Middlesex Street in London and Old BRI in Bristol, which will now be delivered for the 2022/23 academic year. As a result of these delays, we expect new supply across the UK to reduce to around 20,000 beds in 2021 and then further thereafter due to funding constraints faced by some smaller developers and more restrictive planning policy towards PBSA.

The new London Plan requires new student accommodation developments to secure a nomination agreement with one or more Higher Education providers as well as the provision of at least 35% of units at affordable student rents. Moreover, local authorities are increasingly keen to promote new supply in the Build to Rent (BTR) sector, creating increased competition for development sites in major UK cities. We see a clear trend towards mixed-use planning consents, incorporating BTR units and co-living alongside student accommodation. These factors increase barriers to entry for new PBSA supply, however we remain confident in our ability to secure new development opportunities thanks to our long-held University relationships, flexible operating platform and highly experienced development team.

Development costs relatively stable

Activity in the UK construction sector was negatively impacted by the first national lockdown in 2020, but has since rebounded in line with wider business confidence. Lower activity overall has seen tender cost inflation moderate despite an increase in input cost inflation for some materials. Overall, we anticipate build costs to remain broadly flat in 2021 with increases of 2-3% in 2022.

Land prices have softened slightly in regional markets over the past year. This reflects some caution on the part of developers given greater uncertainty around funding in the current environment. Land price inflation has been particularly muted for larger sites capable of delivering greater than 500 beds, which remain the target for our land purchasing. In London, land values have weakened over the past year as a result of depressed activity in both the office, hotel and built-for-sale residential sectors. This has improved the viability of student accommodation in zones 1 and 2 in central London, where we once again see opportunities to acquire sites which meet our hurdle rates for development. The scale and duration of this opportunity is uncertain given resilient investment activity in other sectors during H2 2020, which may create more competition for development sites.

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 highly committed people, our PRISM operating platform, our brand and the strength of our relationships with Universities. These capabilities helped to deliver a resilient financial performance in 2020, despite the significant disruption created by Covid-19, delivering EPRA EPS of 25.5p (2019: 39.1p). The 35% reduction in EPS reflects our decision to release students from their tenancies in term three of 2019/20 in response to the national lockdown and lower occupancy for term one of the 2020/21 academic year, partially mitigated by savings in operating costs and initial synergies from the acquisition of Liberty Living.

Summary income statement	2020 £m	2019 £m
Rental income	263.2	213.9
Property operating expenses	(82.9)	(53.1)
Net operating income (NOI)	**180.3**	**160.8**
NOI margin	*68.5%*	*75.2%*
Management fees	14.0	14.4
Operating expenses	(30.9)	(21.7)
Finance costs	(64.9)	(43.9)
Acquisition and net performance fees	4.6	6.8
Development and other costs	(5.8)	(5.7)
EPRA earnings	**97.3**	**110.6**
EPRA EPS	**25.5p**	**39.1p**
EBIT margin	*62.1%*	*71.7%*

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

Our acquisition of Liberty Living, which completed in November 2019, and the disruption to income caused by Covid-19 are the two key factors explaining the variance in our profitability and operating performance between 2020 and 2019.

Rental income increased by £49.3 million, up 23%, as a result of the acquisition of Liberty Living's 24,000 bed portfolio, which was partially offset by £37 million of rental income forgone through cancellations for the summer term of 2019/20 in response to Covid-19 and lower occupancy for term one of 2020/21. Net operating income also increased by 12%, reflecting our increased scale. EPRA like-for-like rental income reduced by 13.2% YoY for properties owned throughout 2019 and 2020, which resulted in a reduction in NOI margin to 68.5% (75.2%).

Overheads increased by £9.2 million, reflecting the impact of the Liberty Living acquisition and £11 million of initial cost synergies realised in the year. In response to Covid-19, the business delivered £15 million of cost savings (Unite share) from insourcing of work over the summer, savings to utility and broadband costs and a four-month reduction in remuneration for Directors and cancellation of bonuses for 2020.

Recurring management fee income from joint ventures reduced slightly to £14.0 million (2019: £14.4 million), reflecting the impact of lower NOI and property valuations in USAF and LSAV. Performance and acquisition fees of £4.6 million were received in the year (net of tax), relating to further partial recognition of the LSAV performance fee (2019: £6.8 million). Based on current expectations, Unite's remaining share of the LSAV performance fee is expected to be c.£15-20 million.

Our EBIT margin reduced to 62.1% in 2020 (2019: 71.7%), reflecting the impact of lower income and partial mitigation from cost savings. Reflecting our cost discipline and the anticipated recovery in rental income from 2021/22 onwards, we are targeting an improvement in our EBIT margin to 74% by the end of 2023. This reflects an increase in the annual cost synergies to be realised from the Liberty Living acquisition to £18 million from 2021, as well as opportunities for further efficiencies over time in areas such as procurement, enhanced use of technology and energy efficiency.

Finance costs increased to £64.9 million (2019: £43.9 million), reflecting the increase in average net debt during the year primarily resulting from the acquisition of Liberty Living. This impact was partially offset by a lower average cost of finance in 2020 of 2.7% (2019: 3.6%) as we have substantially drawn our revolving credit facilities at lower average rates and repaid £207 million in secured loans at a blended cost of 4.8%. Interest capitalised into development schemes decreased from £9.1 million to £4.6 million, driven by lower development spend following the pause on construction at Middlesex Street and Old BRI, which will now be delivered in 2022. We expect capitalised interest to increase in 2021, albeit not to 2019 levels, as development activity increases ahead of deliveries in 2022 and 2023.

Development (pre-contract) and other costs were broadly stable at £5.8 million (2019: £5.7 million), reflecting the cost of paused development activity, the earnings impact of share-based incentives, deferred and current tax and our contribution to our charitable trust, the Unite Foundation.

Occupancy, reservations and rental growth

2020/21 academic year

We let 88% of bed spaces across the whole portfolio for the 2020/21 academic year (2019/20: 98%), which reflected a resilient performance in challenging circumstances. This represents meaningful outperformance of our PBSA peers, who delivered average bookings of 75% for 2020/21 according to JLL. This reflects the benefit of our long-term nomination agreements and the adaptability of our operating platform in successfully shifting the focus of our direct-let sales from international to domestic students, many of whom would ordinarily stay in the HMO sector.

The reduction in our occupancy contrasts with a 5% increase in accepted applicants to UK Universities for the 2020/21 academic year. Due to disruption and uncertainty created by Covid-19, student demand for accommodation has been temporarily impacted by some students either choosing to study from home, not travel to the UK or defer their place. We expect this demand to return from 2021/22, as restrictions ease relating to Covid-19.

Checked-in occupancy is currently 80%, reflecting those students who have now checked-in to their accommodation and nomination agreements where Unite receives rent directly from Universities. Customers making up the remaining 8% of occupancy are now past their scheduled check-in dates, of whom around 90% are international. Around half of those international customers yet to check-in have confirmed they still plan to arrive in the coming weeks.

We have now collected 95% of rent due to date for the 2020/21 academic year. This reflects successful term one rent collection of 96% and a positive start to term two rent collection at 93% to date. Collection rates for rents received directly from students are 97% for the year to date and 85% for rents paid directly by Universities. Scheduled payments by Universities in the coming weeks will see the total collection rate further improve to over 95%.

In response to the latest national lockdown In January 2021, we announced that students were able to apply for a discount of 50% of their rent for a total of 10 weeks and, in addition, will be given a four-week complimentary extension of their tenancy agreement at the end of the academic year to extend their stay into the summer. The rental discount and tenancy extension were made available to all students checked-in but not living in their accommodation between 18 January and 28 March. Take-up of the offer has been c.40% by eligible customers, reflecting c.60% occupancy among checked-in students during term two. The loss of rental income associated with the rental discount and tenancy extension is expected to result in a reduction to EPRA EPS of up to £10 million or 2.5p for the 2021 financial year.

Based on rent collection in the year to date, assumed attrition in non-checked-in bookings and take-up of our 10-week rent discount, we expect to receive 90-95% of contracted rental income of £268 million for the 2020/21 academic year (on a Unite share basis).

2020/21 cash collection	Term 1	Term 2	Year to date
Payable by Universities	92%	81%	85%
Payable by students[1]	98%	96%	97%
Total	**96%**	**93%**	**95%**

1. Includes both direct-let and nomination referral customers

Annual rents reduced by 0.6% on a like-for-like basis for 2020/21, reflecting contractual growth of 2.5% through nomination agreements, offset by a 3.2% reduction in direct-let rents. The reduction in direct-let rents reflects an increase in the share of direct-let sales to UK customers (46% in 2020/21 vs 39% in 2019/20) as a result of our success in attracting more domestic students and a lower number of international student arrivals. On average, UK customers pay 20% lower annual rents than international customers, reflecting a preference for slightly shorter tenancy lengths and lower cost room types. Rental growth was also impacted by our flexible tenancy offer, which allowed students to delay the start of their tenancy to coincide with changes to University term dates. Occupancy was broadly consistent across our wholly owned portfolio, USAF and LSAV.

2020/21 rental growth and occupancy	**LfL rental growth[1]**	**Occupancy[2]**
Nomination agreements	2.5%	
Direct let	(3.2)%	
Total	**(0.6)%**	**88%**
Wholly owned	(1.7)%	88%
USAF	(0.1)%	89%
LSAV	1.5%	85%
Leased	(1.2)%	100%
Total	**(0.6)%**	**88%**

1. Like-for-like properties based on annual value of core student tenancies
2. Beds sold

We have maintained a high proportion of income let to Universities, with 39,250 beds or 60% of those sold for 2020/21 under nomination agreements (2019/20: 41,484 and 59%). The slight reduction in the number of beds under nomination agreements reflects the decision of some Universities not to renew rolling single-year agreements in light of uncertainty over student numbers and occupancy created by Covid-19, and flexibility offered to University partners on a case-by-case basis.

55% of our nomination agreements, by income, are multi-year and therefore benefit from annual fixed or inflation-linked uplifts. These agreements are expected to secure average annual rental growth of 2.1% over the next five years at current low levels of inflation. The remaining agreements are single year and we achieved a renewal rate of 76% on these agreements for 2020/21 (2019/20: 85%). Enhanced service levels and our extensive understanding of student needs have resulted in longer term and more robust partnerships with Universities over recent years. The unexpired term of our nomination agreements is 6.4 years, up marginally from 6.2 years in 2019/20.

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

Agreement length	Beds 2020/21	Beds 2019/20	% Income 2020/21
Single year	17,709	15,264	45
2-5 years	5,748	11,214	16
6-10 years	6,873	4,579	18
11-20 years	6,724	5,224	16
20+ years	2,196	5,203	5
Total	**39,250**	**41,484**	**100**

UK students account for 66% of our customers for 2020/21 (2019/20: 60%), making up a large proportion of the beds under nomination agreements with Universities. In addition, 25% and 9% of our customers come from non-EU and EU countries respectively (2019/20: 31% and 9%), reflecting the relative appeal of our hassle-free product when compared with alternatives in the private rented sector.

Re-bookers accounted for 25% of our direct-let bookings for the 2020/21 year, contributing to the 65% of direct-let bookings made to non-1st years. This reduces our exposure to less predictable 1st year undergraduate customers and puts less emphasis on Clearing following A-level results.

Postgraduates now make up 16% of our direct-let customer base, driven by strong growth in UK postgraduate numbers and increasing awareness of the benefits of PBSA. As a result, we are trialling ways to tailor our offer for postgraduates as part of our wider review of customer segmentation.

2021/22 academic year

Reservations for the 2021/22 academic year are encouraging at 66%, which, as expected, is slightly below the prior year level of 77% given the ongoing uncertainty created by Covid-19. We expect strong student demand for 2021/22 from both domestic and international students, but anticipate a later sales cycle than in a typical year as a result of current uncertainty relating to Covid-19. As a result, we have increased our focus on retaining existing direct-let customers, which has led to an increased share of sales to domestic re-bookers.

We have good visibility over rental growth for the 2021/22 academic year, with nomination agreements in place on a large proportion of our beds. Falling UK inflation over the past 12 months will result in a slight reduction in rental growth from multi-year nomination agreements with annual RPI-linked rental increases. However, we still anticipate annual rental increases of just under 2% from our nomination agreements. In addition, we see a positive outlook for direct-let sales to re-bookers by capturing market share from the HMO sector. We also see growing demand from non-EU international and postgraduate students, reflecting recent increases to the UK's post-study visa and the international reputation of the UK's Universities.

Based on our expectation of an enhanced campus experience for students, supported by an increase in face-to-face course delivery and a relaxation of international travel restrictions, we anticipate a return to full occupancy and 2-3% rental growth in 2021/22. However, there remains greater risk and uncertainty over occupancy and rental growth than a normal year as lockdown restrictions are eased.

Delivering for our customers

Our best-in-class operating platform continues to drive both service enhancements and operational efficiency. We remain committed to reinvesting a significant proportion of savings in enhanced customer services that deliver value-for-money for students and support our purpose of creating a Home for Success. This includes investment in our MyUnite app, our Student Ambassador programme and the provision of student welfare services.

Health, safety and security

We recognise that the past year has been a particularly challenging time for all students, which is why their wellbeing, safety and security has been our priority since the start of the Covid-19 pandemic.

Unite Students was the first student accommodation provider to be accredited with Covid-19 secure status by the British Safety Council, following the introduction of a number of new and enhanced Covid-19 secure operating practices for the 2020/21 academic year. These included enhanced cleaning and new physical and social distancing measures such as floor markings, signage, communication in reception areas and repurposed common areas. Our investments in our sector-leading operating platform, PRISM, and our MyUnite app, also enabled students to communicate remotely with Unite's teams without having to leave their rooms.

To help foster a sense of community, we introduced a Home Charter for 2020/21, which outlined the expectations for students living together and the ways in which we will assist. Our aim is to create a positive culture for living as a community and safe, respectful and harmonious homes that help students get the most out of their time at University. The Home Charter was introduced to reflect the new dynamics created by Covid-19 when living in shared accommodation. Going forward, it will be reviewed annually.

We have also increased provision and access to student wellbeing and mental health support through enhanced student welfare services, including bespoke support for students who are shielding, support for those self-isolating, online welfare checks and a pilot peer-to-peer scheme. We have dedicated welfare leads in each of our cities and also provide 24/7 support through Unite's Emergency Contact Centre and a partnership with Nightline.

Financial support during Covid-19

We have provided over £100 million in financial support to students during the Covd-19 pandemic. We have shown sector leadership in offering rent waivers and flexibility, reflecting our focus on doing what’s right for all stakeholders and the importance of maintaining a sustainable business. We were the first PBSA provider to forgo 2020 summer term rents for students returning home due to Covid-19 during the initial lockdown. We also offered students the ability to extend their stay into the summer at no extra cost.

For the 2020/21 academic year, we extended the traditional check-in period for Unite properties thereby reducing the traditional peak and provided flexible check-ins for students during September/October 2020. We also allowed international students to move to a January start date, forgoing rent for the period from September to December, and provided the option to check-in early, at no extra cost, where students needed to quarantine having arrived from a Covid-restricted area.

Following the announcement of a further national lockdown in January 2021, we announced that students were able to apply for a rent discount of 50% for 10 weeks and a four-week complimentary extension of their tenancy into the summer.

We believe our response has strengthened our reputation with students, parents, Universities and Government. This goodwill creates opportunities to secure new University partnerships as well as take market share from the 955,000 students living in the HMO sector, where the response of private landlords has been inconsistent and less accommodating overall.

Service enhancements

Our best-in-class operating platform continues to drive both service enhancements and operational efficiency. We remain committed to reinvesting a significant proportion of savings in enhanced customer services that deliver value-for-money for students and support our purpose of creating a Home for Success.

This year, there has been a significant focus in improving our digital capabilities to support our commitment of keeping students and our staff safe and secure during Covid-19. We enhanced our check-in solution by fully digitalising the end-to-end customer journey, which was used by 79% of customers, and also extended the capability of uChat to allow customers to chat to other residents on the same floor. This allowed students to connect with others they would not usually have met in regular circumstances and was used by c.18,500 customers. We also introduced a new feature in the MyUnite app for customers to let us know if they were self-isolating, allowing our staff to put measures in place to protect both students and our staff.

In October 2020, we launched new features for our student website. It delivers a more flexible, user-friendly platform that enables customers to self-serve. Key to this was the delivery of our simplified booking journey, where we reduced the length of the process by 50%. Simplifying the booking journey resulted in a 47% improvement in conversion rate YoY during November and December.

In February 2021, we launched a new group booking tool and marketing campaign to target groups of students who might otherwise look to house share in the private rented sector. We have had encouraging early take-up, particularly from new customers to Unite, supporting our ambitions to capture market share from the HMO sector.

PROPERTY REVIEW

EPRA NTA growth

EPRA NTA per share reduced by 3% to 818p at 31 December 2020 (31 December 2019: 847p) with IFRS net assets per share down 4% to 809p (31 December 2019: 845p). In total, EPRA net tangible assets were £3,266 million at 31 December 2020, up from £3,087 million a year earlier.

The main drivers of the 29p per share reduction in EPRA NTA per share were:

- The reduction in the value of the Group's share of investment assets due to income deductions relating to Covid-19 disruption ((30)p) and modest yield expansion ((5)p)
- A provision for the replacement of HPL cladding ((8)p)
- The impact of the share placing at a premium to NAV (+1p)
- Swap cancellation and debt break fees ((8)p), primarily related to repayment of the Group's secured debt facilities
- Integration costs relating to the acquisition of Liberty Living ((2)p)
- The positive impact of retained profits and other items (+23p)

	£m	Diluted pence per share
EPRA NTA as at 31 Dec 2019	**3,087.0**	**847**
Rental growth	(118.9)	(30)
Cladding provision	(33.8)	(8)
Yield movement	(18.5)	(5)
Share placing	294.0	1
Swap cancellation and debt break fees	(30.1)	(8)
Integration costs	(9.2)	(2)
Retained profits/other	95.6	23
EPRA NTA as at 31 Dec 2020	**3,266.2**	**818**

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 now the most relevant NAV measure for the Group, and will become our primary NAV measure going forward. EPRA NTA adjusts EPRA NAV, our existing key NAV measure, by excluding intangible assets.

The table below summarises the difference in EPRA NTA and EPRA NAV as at 31 December 2019 and 31 December 2020. A full reconciliation of the EPRA measures, from the old to new methodology can be found in note 2.3c to the financial statements.

	31 December 2020	31 December 2019	Change from 31 December 2019
EPRA NAV per share	823p	853p	(4)%
EPRA NTA per share	818p	847p	(3)%

Property portfolio

The valuation of our property portfolio at 31 December 2020, including our share of gross assets held in USAF and LSAV, was £5,182 million (31 December 2019: £5,225 million). The £43 million reduction in portfolio value (Unite share) was attributable to:

- Valuation reductions of £164 million on the investment and development portfolios, reflecting £ for £ reductions in value for income shortfalls due to Covid-19
- Capital expenditure on developments of £92 million, including interest capitalised
- Capital expenditure of £48 million on investment assets relating to refurbishment, asset management initiatives and works to replace HPL cladding
- Disposals of £10 million
- A net revaluation loss of £9 million on leased properties

The see-through net initial yield of the portfolio was 5.0% at 31 December 2020 (December 2019: 5.0%). Yields have remained broadly stable on investment assets held throughout the year.

Summary balance sheet

	31 December 2020			31 December 2019		
	Wholly owned £m	Share of Fund/JV £m	Total £m	Wholly owned £m	Share of Fund/JV £m	Total £m
Rental properties	3,615	1,278	4,893	3,407	1,296	4,703
Rental properties (leased)	102	-	102	110	-	110
Properties under development	187	-	187	412	-	412
Total property	3,904	1,278	5,182	3,929	1,296	5,225
Net debt	(1,326)	(416)	(1,742)	(1,450)	(434)	(1,884)
Lease liability	(96)	-	(96)	(99)	-	(99)
Other assets/(liabilities)	(40)	(38)	(78)	(142)	(13)	(155)
EPRA net tangible assets	**2,442**	**824**	**3,266**	**2,238**	**849**	**3,087**

The proportion of the property portfolio that is income generating is 96% by value, up from 92% at 31 December 2019. Properties under development have reduced to 4% of our property portfolio by value (31 December 2019: 8%) following delivery of our 2020 development completions. Our development pipeline carries greater operational risk than the income generating portfolio but delivers attractive risk-adjusted returns, which we expect to materially contribute to the group's future earnings growth.

The investment portfolio is 35% weighted to London by value on a Unite share basis, which will rise to 41% on a built-out basis following completion of our secured development pipeline.

Unite investment portfolio analysis at 31 December 2020

		Wholly owned	USAF	LSAV	Lease	Total	Unite share
London	Value (£m)	1,137	401	1,054	17	**2,609**	**1,770**
	Beds	*4,177*	*1,863*	*5,291*	*260*	***11,591***	***35%***
	Properties	*12*	*6*	*12*	*1*	***31***	
Prime provincial	Value (£m)	949	647	-	25	**1,621**	**1,117**
	Beds	*7,645*	*5,337*	-	*618*	***13,600***	***22%***
	Properties	*17*	*18*	-	*2*	***37***	
Major provincial	Value (£m)	1,256	1,467	270	29	**3,022**	**1,743**
	Beds	*18,058*	*19,507*	*3,067*	*753*	***41,385***	***35%***
	Properties	*37*	*48*	*1*	*2*	***88***	
Provincial	Value (£m)	273	284	-	31	**588**	**365**
	Beds	*4,958*	*3,520*	-	*1,059*	***9,537***	***7%***
	Properties	*11*	*10*	-	*3*	***24***	
Total	**Value (£m)**	**3,615**	**2,799**	**1,324**	**102**	**7,840**	***4,995***
	Beds	*34,838*	*30,227*	*8,358*	*2,690*	***76,113***	***100%***
	Properties	*77*	*82*	*13*	*8*	***180***	
Unite ownership share		**100%**	**22%**	**50%**	**100%**		
	Value (£m)	**3,615**	**616**	**662**	**102**	**4,995**	

Development and University partnership activity

Development and University partnership activity continues to be a significant driver of growth in future earnings and NAV and is aligned to our strategic focus on high and mid-ranked Universities. Our pipeline of traditional development and University partnerships includes 3,968 beds with a total development cost of £599 million, of which 2,023 beds or 70% by development cost will be delivered in central London.

We continue to identify new development and University partnership opportunities that deliver our target returns in both London and the regions. In particular, we see an emerging development opportunity in London, following a softening in land values and lower viability for some competing uses. We expect to add to our pipeline during 2021 and maintain a run-rate of c.1,500-2,000 new beds per annum.

The anticipated yield on cost of this secured pipeline is 6.4%. Prospective returns on new direct-let schemes remain attractive at around 8% in provincial markets. We have lower hurdle rates for developments that are supported by Universities or where another developer is undertaking the higher risk activities of planning and construction. The new London Plan requires student accommodation to secure a nomination agreement with one or more Universities for the majority of rooms, meaning we expect new London developments to be delivered as University partnerships with development yields of 6.0-6.5%. University partnerships make up around 75% by value of our secured development pipeline.

We have contractually fixed our exposure to construction costs on all schemes completing in 2022, which substantially de-risks our cost risk. We have brought forward the procurement of all critical items supplied from European countries on our 2022 completions to mitigate any potential risks from disruption to supply chains.

2020 completions

We completed 2,257 beds across three new schemes during 2020 despite disruption caused to construction activity as a result of Covid-19 lockdowns and new social distancing measures on site. Around 40% of these beds are let to Universities under nomination agreements for the 2020/21 academic year, with an average duration of 22 years, supporting our ongoing focus on quality of income.

Our 976-bed University partnership scheme at White Rose View in Leeds, was completed on schedule in September. Just under 60% of the beds in the scheme are let to the University of Leeds on a 30-year nomination agreement, helping to strengthen our relationship with one of the UK's leading Universities.

Our schemes at Artisan Heights in Manchester and Arch View House in Wembley, both saw delays to completions as a result of disruption caused by Covid-19. The schemes have since completed, allowing students to occupy the buildings from early 2021. The delays were clearly communicated to both student and University customers with students offered the opportunity to move to alternative Unite accommodation in the vicinity of both assets. Under the terms of the forward fund agreement for Arch View House, the shortfall in 2020/21 income is covered by the developer.

2022 completions

The decision was taken in March to delay the delivery of Middlesex Street in London and Old BRI in Bristol from 2021 to 2022, reflecting the priority of conserving cash during a period of significant uncertainty over income. The decision resulted in a cash saving of £72 million during 2020.

Development has now been recommenced across both sites, supporting delivery for the 2022/23 academic year. Old BRI is let to the University of Bristol under a 15-year nomination agreement and we are working with King's College London towards a long-term nomination agreement at Middlesex Street.

Development pipeline

During the year, we used the proceeds of our share placing to secure two new development and University partnership schemes for a total development cost of c.£175 million for delivery in 2023.

In July, we agreed to acquire a 300-bed development site in central Edinburgh, which forms part of a wider mixed-use redevelopment. We are targeting delivery of the direct-let development for the 2023/24 academic year, having secured planning in late 2020. Total development costs are estimated to be £24 million, delivering a development yield of 8.3%.

In November, we exchanged contracts to acquire a new 800-bed development site in Paddington, central London on a subject to planning basis. Total development costs are estimated to be c.£150 million, to be funded from the proceeds of our recent equity issue. The scheme is targeted for delivery for the 2023/24 academic year, subject to planning approval, and is expected to deliver a development yield of 6.5%. The development will target a BREEAM Excellent rating and incorporate a range of design features to reduce its embodied and operational carbon, supporting our transition to net zero development and operations.

University partnerships pipeline

In addition to the significant number of our beds and income underpinned by long-term University-backed nomination agreements, we continue to make progress with our strategy of delivering sustainable growth through partnerships with Universities.

During 2020, 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 431-bed Old BRI development and the 596-bed Temple Quay development in close proximity to the University's new Temple Quarter campus. The long-term agreement strengthens our long-standing and valuable relationship with the University.

At our new development site in Paddington, central London we intend to deliver the scheme as a University Partnership in line with requirements in the new London Plan for the majority of new beds to be leased to a HE provider. The development will help to meet the growing need for high quality, purpose-built student accommodation in London and discussions are already underway with University partners to support the scheme through planning, with a view to agreeing a long-term nomination agreement.

Secured development and partnerships pipeline

	Target delivery	Secured beds No.	Total completed value £m	Total development costs £m	Capex in period £m	Capex remaining £m	Forecast NAV remaining £m	Forecast yield on cost %
Direct-let development								
Derby Road, Nottingham[1]	2023	620	64	48	1	45	16	8.0%
Wyvil Road, London[1]	2023	270	100	80	-	62	21	6.2%
Abbey Lane, Edinburgh	2023	298	33	24	1	22	9	8.3%
Total direct-let development		**1,188**	**197**	**152**	**2**	**129**	**46**	**7.1%**
University Partnerships								
Middlesex Street, London	2022	920	280	187	59	85	55	6.0%
Old BRI, Bristol	2022	431	59	44	4	19	9	6.2%
Temple Quarter, Bristol[1]	2023	596	85	67	1	65	18	6.2%
TP Paddington, London[1]	2023	833	210	149	2	148	60	6.5%
Total University partnerships		**2,780**	**634**	**447**	**66**	**317**	**142**	**6.2%**
Total pipeline (Unite share)		**3,968**	**831**	**599**	**68**	**446**	**188**	**6.4%**

[1] Subject to obtaining planning consent

Future partnership opportunities

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 are in discussions for new University partnerships with a range of Universities. These discussions often cover a range of potential solutions on a city-wide basis, reflecting each University's specific accommodation needs. These strategic discussions may include multi-year nomination agreements for our existing operational assets, on-campus and off-campus developments and stock transfer. We are in active discussions with three high-tariff Universities for around 7,000 existing and new beds, which we are looking to progress over the next 12-18 months. In addition, we have a significant further pipeline of medium-term opportunities.

The nature of these discussions and the commitment required by both parties means that some opportunities will fall away. However, we strongly believe that the operational complexity borne by Universities in dealing with Covid-19 and the negative impact on their finances will create new opportunities for University partnerships in the near to medium term. There remains a compelling rationale for Universities to work with us to deliver operational efficiencies and provide the new accommodation required to deliver their future growth ambitions.

Disposal activity

We continue to manage the quality of the portfolio and our balance sheet leverage by recycling capital through disposals and reinvesting into developments and acquisitions of assets aligned to the best Universities. During the year, the Group's share of disposals was £10 million, in line with book value.

We are targeting £200-300m of disposals in 2021 (Unite share), slightly above historical levels, in anticipation of improving liquidity as greater visibility emerges over occupancy and income for the 2021/22 academic year. These target disposals, combined with rental growth, are intended to ensure that we meet our target LTV of 35% and underpin our ability to sustain rental growth over a longer time horizon.

FINANCIAL PERFORMANCE

Income statement

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

The performance of the business has been materially impacted in the year by the effects of Covid-19. This reflects the impact of rent rebates for the summer term of 2019/20 and lower occupancy in the 2020/21 academic year, partially offset by cost savings made during the year.

	2020 £m	2019 £m
EPRA earnings	97.3	110.6
Valuation losses/gains and loss on disposal	(178.8)	198.1
Impairment of goodwill and intangibles	-	(384.1)
Integration/acquisition costs	(9.2)	(22.8)
Changes in valuation of interest rate swaps and debt break costs	(35.9)	(5.4)
Minority interest and other items	6.5	2.4
IFRS loss before tax	**(120.1)**	**(101.2)**
EPRA earnings per share	25.5p	39.1p
IFRA basic earnings per share	(31.8)p	(31.5)p

The loss before tax of £120.1 million (2019: £101.2 million loss) includes valuation losses and losses on disposal of £178.8 million (2019: £198.1 million gain), reflecting the income shortfall resulting from Covid-19, as well as £35.9 million of costs associated with the repayment of the Group's secured debt facilities and changes in the valuation of interest rate swaps (2019: £2.7 million), which together more than offset EPRA earnings of £97.3 million (2019: £110.6 million).

Share placing

We completed a placing of 34.5 million new ordinary shares in June 2020 at a price of 870p per share, raising gross proceeds of £300 million. 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 net proceeds, coupled with debt up to our 35% LTV target, will be used to commit to new development or University partnership opportunities in central London and prime provincial markets for delivery in 2023 and 2024. We have already secured c.£175 million of new development opportunities since the placing across two sites in central London and Edinburgh and have a healthy pipeline of further opportunities that we are evaluating.

The placing proceeds were initially used to repay £207 million of secured debt at a cost of 4.8% ahead of being deployed into new developments. As a result, the placing is immediately accretive to total accounting returns and earnings neutral, with earnings accretion as new development opportunities are delivered.

Cash flow and net debt

The Operations business generated £57.3 million of net cash in 2020 (2019: £85.4 million) and see-through net debt reduced to £1,742 million (2019: £1,884 million). The key components of the movement in see-through net debt were:

- Net proceeds from the share placing (£294 million)
- Total capital expenditure of £140 million
- Operational cash flow of £65 million on a see-through basis
- Swap cancellation and debt break fees of £30 million
- A £47 million outflow for other items including lease payments and integration costs

In 2021, we expect net debt to increase slightly as planned capital expenditure on investment and development activity will exceed anticipated asset disposals.

Debt financing and liquidity

As at 31 December 2020, the wholly owned Group had £379 million of cash and debt headroom (31 December 2019: £332 million) comprising of £329 million of drawn cash balances, and £50 million of undrawn debt (2019: £27 million and £305 million respectively).

The Group maintains a disciplined approach to managing leverage, with see-through LTV of 34% at 31 December 2020 (31 December 2019: 37%).

The reduction in LTV during the year was primarily driven by the net proceeds from the Group's share placing, which more than offset the impact of the valuation loss. We intend to dispose of £200-300 million of assets in 2021 and £150-200 million per annum on an ongoing basis (Unite share basis) to fund our development activity and manage our LTV target to 35% on a built-out basis.

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

The Unite Group plc has maintained investment grade corporate ratings of BBB from Standard & Poor's and Baa2 from Moody's, reflecting Unite's robust capital position, cash flows and track record.

Debt covenants

We continue to monitor our banking covenants. Given the disruption 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 remain compliant with all ICR covenants across the Group and its funds and joint ventures. Our tightest ICR covenant requires us to collect 70% of contracted rent for the 2020/21 academic year and we have collected 66% to date.

This requires us to collect less than 10% of rents due or outstanding for the balance of 2020/21 to maintain covenant headroom at the March and June 2021 quarter end tests. Given current progress on cash collection, scheduled payments by Universities and physical occupancy in our buildings, we are confident in retaining headroom under our ICR covenants.

From Q2 2021, headroom under our ICR covenants is expected to increase materially as the impact of cancellations in Q2 2020 are removed from the 12-month historical ICR calculation.

Interest rate hedging arrangements and cost of debt

Our average cost of debt based on current drawn amounts has reduced to 3.1% (31 December 2019: 3.3%) and the Group has 75% of investment debt subject to a fixed or capped interest rates (31 December 2019: 93%) for an average term of 4.2 years (31 December 2019: 5.4 years). The reduction in the average cost of debt during the year reflected the drawdown of our revolving credit facilities at a lower marginal cost, to ensure access to liquidity due to the uncertainty created by Covid-19. This also resulted in a reduction in the average term and hedge ratio on our investment debt, which we expect to reverse in 2021 as we refinance and repay our revolving credit facilities.

We will continue to proactively manage debt maturity profiles, diversify our lending base and look to lock into longer-term debt at rates below our current average cost of debt. Borrowings for the combined Group are well diversified across lenders and maturities, with only limited maturities before late 2022. We plan to publish a sustainable finance framework in the coming weeks, aligned to our new Sustainability Strategy, which will enable future sustainable debt issuance and provide the opportunity to further diversify our sources of debt.

Key debt statistics (Unite share basis)	**31 Dec 2020**	**31 Dec 2019**
Net debt	£1,742m	£1,884m
LTV	34%	37%
Net debt:EBITDA ratio	10.1	6.8*
Interest cover ratio	2.5	3.5
Average debt maturity	4.2 years	5.4 years
Average cost of debt	3.1%	3.3%
Proportion of investment debt at fixed rate	75%	93%

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

Dividend

We are proposing a final dividend payment of 12.75p per share (2019: nil), making 12.75p for the full year (2019: 10.25p). The final dividend will be fully paid as a Property Income Distribution (PID) of 12.75p, which we expect to fully satisfy our PID requirement for the 2020 financial year.

This represents a payout ratio of 50% for FY2020, which will increase to at least 80% as market conditions stabilise.

Subject to approval at Unite's Annual General Meeting on 13 May 2021, the dividend will be paid in either cash or new ordinary shares (a "scrip dividend alternative") on 21 May 2021 to shareholders on the register at close of business on 16 April 2021. The last date for receipt of scrip elections will be 29 April 2021.

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

Tax and REIT status

The Group holds REIT status and is exempt from tax on its property business. During the year, we incurred £1.5 million of corporation tax (2019: £2.5 million), relating primarily to profits on our property management activities, and a £0.3 million tax credit in respect of prior years (2019: £2.4 million).

Funds and joint ventures

The table below summarises the key financials at 31 December 2020 for our co-investment vehicles.

	Property Assets £m	Net debt £m	Other assets £m	Net assets £m	Unite share of NAV £m	Total return	Maturity	Unite share
USAF	2,798	(843)	(60)	1,895	418	(3.9)%	Infinite	22%
LSAV	1,324	(462)	(49)	813	406	0.0%	2022/2027	50%

USAF and LSAV have delivered a resilient performance in the year, despite the challenging environment resulting from Covid-19. USAF's total returns do not reflect retained distributions which, if included, increase the effective total return of the fund to (2.0)%. LSAV's stronger underlying total return reflects a more modest reduction in property valuations over the year, due to £ for £ income deductions made in relation to Covid-19 having a less material impact on its lower yielding properties.

USAF is fully invested at present, based on a year end LTV of 30%. Unitholders are supportive of further fundraising by USAF later in the year when there is greater visibility on the 2021/22 academic year, and we continue to monitor acquisition opportunities for the fund from both Unite's own balance sheet and the wider market.

There have been no distributions by USAF since January 2020, however they are expected to be reinstated in April to reflect positive progress around rent collection for the 2020/21 academic year and increasing confidence over reservations for the 2021/22 academic year.

The secondary market for USAF units continues to operate effectively with £41 million of units trading in 2020 at a modest average discount to NAV.

We are in advanced discussions with GIC for a long-term extension of our LSAV joint venture, reflecting its success since its creation in 2005 and subsequent extension and expansion in 2012. As part of the extension, Unite intends to maintain its stake in LSAV at 50%.

Fees

During the year, the Group recognised net fees of £18.6 million from its fund and asset management activities (2019: £21.2 million). The reduction was driven by the reduction in NOI and asset valuations resulting from Covid-19 and the absence of an acquisition fee in USAF that was generated from the Liberty Living acquisition.

The London portion of our LSAV joint venture has a scheduled maturity in 2022, at which point Unite is due to receive a performance fee accrued over the life of the JV. As part of the discussions with our joint venture partner GIC over the future of the vehicle, we expect to crystallise the performance fee during 2021 on completion of the extension of the JV. The 2019 results recognised an initial £5.7 million for Unite's share of this fee (£4.6 million net of tax) and we have recognised a further £5.7 million of this fee (£4.6 million net of tax) in 2020, bringing the total amount to date to £11.4 million (£9.2 million net of tax). Based on current expectations, Unite's remaining share of the performance fee is expected to be c.£15-20 million.

	2020 £m	2019 £m
USAF asset management fee	10.7	11.2
LSAV asset and property management fee	3.3	3.2
USAF acquisition fee	-	2.2
Net performance fee	4.6	4.6
Total fees	**18.6**	**21.2**

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

We confirm that to the best of our knowledge:

- The financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole
- The strategic report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face
- We consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Richard Smith	Joe Lister
Chief Executive Officer	Chief Financial Officer

16 March 2021

Forward-looking statements

The preceding preliminary 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 preliminary statement contains forward-looking statements that are subject to risk factors associated with, among 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 preliminary 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.

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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 tangible assets (NTA). 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.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2020

	Note	2020 £m	2019 £m
Rental income	2.4	196.1	134.1
Other income	2.4	19.5	22.1
Total revenue		215.6	**156.2**
Cost of sales		(53.3)	(32.1)
Expected credit losses		(8.6)	(0.9)
Operating expenses		(34.7)	(26.6)
Results from operating activities		119.0	**96.6**
Loss on disposal of property		(1.9)	(7.3)
Net valuation (losses)/gains on property (owned)	3.1	(124.2)	154.8
Net valuation losses on property (leased)	3.1	(11.2)	8.1)
Impairment of goodwill and intangible asset		–	(384.1)
Integration/acquisition costs		(9.2)	22.8)
Loss before net financing costs		(27.5)	**(170.9)**
Loan interest and similar charges	4.3	(41.9)	(23.8)
Interest on lease liability	4.3	(8.8)	(9.2)
Mark to market changes on interest rate swaps	4.3	(5.8)	(2.7)
Swap cancellation and loan break costs	4.3	(30.1)	(2.7)
Finance costs		(86.6)	(38.4)
Finance income	4.3	5.6	5.5
Net financing costs		(81.0)	**(32.9)**
Share of joint venture (loss)/profit	3.3b	(11.6)	102.6
Loss before tax		(120.1)	**(101.2)**
Current tax	2.5a	(1.2)	(0.1)
Deferred tax	2.5a	(0.9)	13.7
Loss for the year		(122.2)	**(87.6)**
Loss for the year attributable to			
Owners of the parent company		(121.0)	(89.2)
Minority interest		(1.2)	1.6
		(122.2)	**(87.6)**
Loss per share			
Basic	2.2c	(31.8p)	(31.5p)
Diluted	2.2c	(31.8p)	(31.4p)

All results are derived from continuing activities.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Note	2020 £m	2019 £m
Loss for the year		**(122.2)**	**(87.6)**
Mark to market movements on hedged instruments		(12.8)	(4.8)
Hedges reclassified to profit or loss		2.5	–
Share of joint venture mark to market movements on hedged instruments	3.3b	(0.1)	(0.5)
Other comprehensive loss for the year		(10.4)	(5.3)
Total comprehensive loss for the year		**(132.6)**	**(92.9)**
Attributable to			
Owners of the parent company		(131.4)	(94.5)
Minority interest		(1.2)	1.6
		(132.6)	(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 income.

CONSOLIDATED BALANCE SHEET

At 31 December 2020

	Note	2020 £m	2019 £m
Assets			
Investment property (owned)	3.1	3,614.7	3,406.9
Investment property (leased)	3.1	101.8	110.4
Investment property (under development)	3.1	187.2	411.8
Investment in joint ventures	3.3b	849.0	875.2
Other non-current assets		21.9	26.0
Right of use assets		4.3	5.5
Deferred tax asset	2.5d	1.9	2.9
Total non-current assets		4,780.8	4,838.7
Inventories	3.2	8.8	4.0
Trade and other receivables		104.0	87.1
Cash and cash equivalents	5.1	338.3	86.9
Total current assets		451.1	178.0
Total assets		5,231.9	5,016.7
Liabilities			
Borrowings	4.1	–	(1.4)
Interest rate swaps	4.2	(5.8)	–
Lease liabilities		(4.4)	(3.9)
Trade and other payables		(141.3)	(234.4)
Current tax liability		(0.3)	(4.0)
Provisions	5.3	(15.7)	(0.3)
Total current liabilities		(167.5)	(244.0)
Borrowings	4.1	(1,689.9)	(1,566.2)
Lease liabilities		(96.7)	(100.9)
Interest rate swaps	4.2	(17.8)	(7.6)
Total non-current liabilities		(1,804.4)	(1,674.7)
Total liabilities		(1,971.9)	(1,918.7)
Net assets		3,260.0	3,098.0
Equity			
Issued share capital	4.6	99.5	90.9
Share premium	4.6	2,160.3	1,874.9
Merger reserve		40.2	40.2
Retained earnings		949.0	1,069.0
Hedging reserve		(14.1)	(3.5)
Equity attributable to the owners of the parent company		3,234.9	3,071.5
Minority interest		25.1	26.5
Total equity		3,260.0	3,098.0

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2020

	Note	Issued share capital £m	Share premium £m	Merger reserve £m	Retained earnings £m	Hedging reserve £m	Attributable to owners of the parent £m	Minority interest £m	Total £m
At 1 January 2020		90.9	1,874.9	40.2	1,069.0	(3.5)	3,071.5	26.5	3,098.0
Loss for the year		–	–	–	(121.0)	–	(121.0)	(1.2)	(122.2)
Other comprehensive loss for the year:									
Mark to market movements on hedged instruments		–	–	–	–	(12.8)	(12.8)	–	(12.8)
Hedges reclassified to profit or loss		–	–	–	–	2.5	2.5	–	2.5
Share of joint venture mark to market movements on hedged instruments	3.3b	–	–	–	–	(0.1)	(0.1)	–	(0.1)
Total comprehensive loss for the year		–	–	–	(121.0)	(10.4)	(131.4)	(1.2)	(132.6)
Shares issued	4.6	8.6	285.4	–	–	–	294.0	–	294.0
Deferred tax on share-based payments		–	–	–	0.1	–	0.1	–	0.1
Fair value of share-based payments		–	–	–	1.6	–	1.6	–	1.6
Own shares acquired		–	–	–	(0.7)	–	(0.7)	–	(0.7)
Unwind of realised swap gain		–	–	–	–	(0.2)	(0.2)	–	(0.2)
Dividends paid to owners	4.7	–	–	–	–	–	–	–	–
Dividends to minority interest		–	–	–	–	–	–	(0.2)	(0.2)
At 31 December 2020		99.5	2,160.3	40.2	949.0	(14.1)	3,234.9	25.1	3,260.0

	Note	Issued share capital £m	Share premium £m	Merger reserve £m	Retained earnings £m	Hedging reserve £m	Attributable to owners of the parent £m	Minority interest £m	Total £m
At 1 January 2019		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:									
Mark to market movements on hedged instruments		–	–	–	–	(4.8)	(4.8)	–	(4.8)
Share of joint venture mark to market	3.3b	–	–	–	–	(0.5)	(0.5)	–	(0.5)
Total comprehensive (loss)/profit for the year		–	–	–	(89.2)	(5.3)	(94.5)	1.6	(92.9)
Shares issued	4.6	25.0	1,134.4	–	–	–	1,159.4	–	1,159.4
Deferred tax on share-based payments		–	–	–	0.2	–	0.2	–	0.2
Fair value of share-based payments		–	–	–	1.9	–	1.9	–	1.9
Own shares acquired		–	–	–	(0.8)	–	(0.8)	–	(0.8)
Unwind of realised swap gain		–	–	–	–	(0.2)	(0.2)	–	(0.2)
Dividends paid to owners	4.7	–	–	–	(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

STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Note	2020 £m	2019 £m
Net cash flows from operating activities	5.1	**73.3**	**78.5**
Investing activities			
Cash consideration for acquisition Liberty Living		–	(492.0)
Cash acquired on acquisition of Liberty Living		–	22.4
Acquisition costs		–	(17.5)
Investment in joint ventures		(7.5)	–
Capital expenditure on properties		(148.5)	(179.9)
Acquisition of intangible assets		(2.7)	(4.6)
Acquisition of plant and equipment		(0.7)	(0.4)
Proceeds from sale of investment property		–	295.4
Interest received		0.1	0.9
Dividends received		10.2	32.8
Net cash flows from investing activities		**(149.1)**	**(342.9)**
Financing activities			
Proceeds from the issue of share capital		294.0	254.7
Payments to acquire own shares		(0.7)	(0.8)
Interest paid in respect of financing activities		(54.2)	(32.0)
Swap cancellation and debt exit costs		(30.1)	(2.7)
Proceeds from non-current borrowings		355.1	175.0
Repayment of borrowings		(233.3)	(96.0)
Dividends paid to the owners of the parent company		–	(68.5)
Withholding tax paid on distributions		(3.4)	(1.1)
Dividends paid to minority interest		(0.2)	(0.9)
Net cash flows from financing activities		**327.2**	**227.7**
Net increase/(decrease) in cash and cash equivalents		**251.4**	(36.7)
Cash and cash equivalents at start of year		86.9	123.6
Cash and cash equivalents at end of year		**338.3**	**86.9**

NOTES TO THE FINANCIAL STATEMENTS

Section 1: Basis of preparation

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 December 2020 or 2019 but is derived from those accounts. Statutory accounts for 2019 have been delivered to the Registrar of Companies, and those for 2020 will be delivered in due course. The auditors have reported on those accounts; their reports were (i) unqualified (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006 in respect of the accounts for 2019 or 2020.

Going concern

In determining the appropriate basis of preparation of the financial statements, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future. At 31 December 2020 The Group had £338m of cash and expects to maintain significant liquidity headroom, both now and through the medium term. The Group is continuing to collect cash from students in line with previous years and has the ability to withstand severe downside scenarios from a cash headroom perspective.

In response to Covid-19, the Directors have considered a range of scenarios for future performance, with a focus on forecast liquidity and ICR covenant performance. The Directors' Base Case scenario is informed by their reasoned opinion that UK Universities will remain open, providing a blend of online and face-to-face teaching for the remainder of the 2020/21 academic year consistent with the Government roadmap announced on 22 February. Universities are expected to open for the 2021/22 academic year and, accordingly, there will be demand for student accommodation from both UK and international 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 customer group. The Directors have considered a Reasonable Worst Case scenario involving a decline in income compared to the Base Case as follows:

- Significant disruption to the remainder of the 2020/21 academic year, with around half of students not returning to their accommodation in the third term
- Significantly reduced income for the 2021/22 academic year as a result of travel restrictions, limiting the ability of international students to travel to the UK

Under each of these scenarios, the Directors are satisfied that the Group has sufficient liquidity and will maintain covenant compliance over the next 12 months. To further 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. Our tightest ICR covenant requires us to collect 70% of contracted rent for the 2020/21 academic year which compares to 66% collected to date. This requires us to collect less than 10% of rents due or outstanding for the balance of 2020/21 to maintain covenant compliance.

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 continues to be 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 Reasonable Worst Case referenced above, namely if there is a further sustained national lockdown 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 its lenders. The Directors consider this eventuality to be remote.

Accordingly, after making enquiries and having considered forecasts and appropriate sensitivities, the Directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being at least 12 months from the date of these financial statements.

Section 2: Results for the year

IFRS performance measures

	Note	2020 £m	2019 £m	2020 pps	2019 pps
Loss after tax	2.2c	**(121.0)**	(89.2)	**(31.8p)**	(31.5p)
Net assets	2.3d	**3,234.9**	3,071.5	**809p**	845p

EPRA performance measures

	Note	2020 £m	2019 £m	2020 pps	2019 pps
EPRA earnings	2.2c	**97.3**	110.6	**25.5p**	39.1p
EPRA NAV	2.3d	**3,285.2**	3,109.7	**823p**	853p
EPRA NTA	2.3d	**3,266.2**	3,087.0	**818p**	847p

2.1 Segmental information

The Board of Directors monitors the business along two activity lines, Operations and Property. The reportable segments for the years ended 31 December 2020 and 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. Detailed analysis of the performance of each of these reportable segments is provided in the following sections 2.2 to 2.3.

The Group's properties are located exclusively in the United Kingdom. The Group therefore has one geographical segment.

2.2 Earnings

EPRA earnings amends IFRS measures by removing principally the unrealised investment property valuation gains and losses such that users of the financials are able to see the extent to which dividend payments (dividend per share) are underpinned by earnings arising from purely operational activity. In 2020, in consideration of EPRA's focus on presenting clear comparability in results from recurring operational activities, EPRA earnings excludes integration costs. The reconciliation between profit/loss 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 Operations segment is the main contributor to EPRA earnings and EPRA EPS and these are therefore the key indicators which are used by the Board to monitor the Operations business.

The Board does not manage or monitor the Operations segment through the balance sheet and therefore no segmental information for assets and liabilities is provided for the Operations segment.

2.2a) EPRA earnings

2020

	Unite £m	Share of joint ventures USAF £m	LSAV £m	Group on EPRA basis Total £m
Rental income	196.1	34.2	32.9	263.2
Property operating expenses	(61.9)	(12.8)	(8.2)	(82.9)
Net operating income	134.2	21.4	24.7	180.3
Management fees	20.1	(2.8)	(3.3)	14.0
Operating expenses	(30.1)	(0.3)	(0.5)	(30.9)
Interest on lease liabilities	(8.8)	–	–	(8.8)
Net financing costs	(40.6)	(6.6)	(8.9)	(56.1)
Operations segment result	74.8	11.7	12.0	98.5
Property segment result	(2.2)	–	–	(2.2)
Unallocated to segments	7.1	(0.3)	(5.8)	1.0
EPRA earnings	79.7	11.4	6.2	97.3

Included in the above is rental income of £14.6 million and property operating expenses of £7.3 million relating to sale and leaseback properties.

The unallocated to segments balance includes the fair value of share-based payments of (£1.7 million), contributions to the Unite Foundation of (£1.0 million), LSAV performance fee of £5.7 million, deferred tax charge of (£0.8 million) and current tax charge of (£1.2 million).

EPRA earnings excludes integrations costs associated with the acquisition of Liberty Living, which total £9.2 million in the year.

2019

	Unite £m	Share of joint ventures USAF £m	LSAV £m	Group on EPRA 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, leased and under development), profits/losses from the disposal of properties, swap/debt break costs, impairment of goodwill and acquisition/integration costs, which are included in the loss/profit reported under IFRS. EPRA earnings reconcile to the loss attributable to owners of the parent company as follows:

	Note	2020 £m	2019 £m
Loss attributable to owners of the parent company		(121.0)	(89.2)
Net valuation losses/(gains) on investment property (owned)	3.1	124.2	(154.8)
Property disposals (owned)		1.9	6.2
Net valuation losses on investment property (leased)	3.1	11.2	8.1
Property disposals (leased)		–	1.1
Impairment of goodwill and acquired intangible asset		–	384.1
Integration/acquisition costs		9.2	22.8
Amortisation of fair value of debt recognised on acquisition		(4.3)	(0.4)
Share of joint venture losses/(gains) on investment property	3.3b	41.5	(58.3)
Share of joint venture property disposals	3.3b	–	(0.4)
Swap cancellation and loan break costs	4.3	30.1	2.7
Mark to market changes on interest rate swaps	4.3	5.8	2.7
Current tax relating to impairment of goodwill		–	(0.5)
Deferred tax	2.5d	0.1	(14.3)
Minority interest share of reconciling items*		(1.4)	0.8
EPRA earnings	2.2a	**97.3**	**110.6**

* The minority interest share, or non-controlling interest, arises as a result of the Company not owning 100% of the share capital of one of its subsidiaries, USAF (Feeder) Guernsey Limited. More detail is provided in note 3.4.

2.2c) Earnings per share

The Basic EPS calculation is based on the earnings/loss attributable to the equity shareholders of The Unite Group PLC and the weighted average number of shares which have been in issue during the year. Basic EPS is adjusted in line with EPRA guidelines in order to allow users to compare the business performance of the Group with other listed real estate companies in a consistent manner and to reflect how the business is managed on a day-to-day basis.

The calculations of basic and EPRA EPS for the year ended 31 December 2020 and 2019 are as follows:

	Note	2020 £m	2019 £m	2020 pps	2019 pps
(Loss)/earnings					
Basic		(121.0)	(89.2)	(31.8p)	(31.5p)
Diluted		(121.0)	(89.2)	(31.8p)	(31.4p)
EPRA	2.2a	97.3	110.6	25.5p	39.1p

	2020	2019
Weighted average number of shares (thousands)		
Basic	381,379	282,802
Dilutive potential ordinary shares (share options)	872	1,156
Diluted	**382,251**	**283,958**

Movements in the weighted average number of shares have resulted from the issue of shares arising from the employee share-based payment schemes and the equity raise. In 2020, there were 11,278 (2019: 15,545) options excluded from the potential dilutive shares that did not affect the diluted weighted average number of shares.

2.3 Net assets

2.3a) EPRA NAV and NTA

EPRA NTA makes adjustments to IFRS measures by removing the fair value of financial instruments and the carrying value of intangibles. The reconciliation between IFRS NAV and EPRA NTA is available in note 2.3c.

2020		Share of JVs		
	Unite £m	USAF £m	LSAV £m	Group on EPRA basis £m
Investment property (owned)	3,614.7	616.7	661.8	4,893.2
Investment property (leased)	101.8	–	–	101.8
Investment property (under development)	187.2	–	–	187.2
Total property portfolio	3,903.7	616.7	661.8	5,182.2
Debt on properties	(1,663.5)	(201.1)	(268.2)	(2,132.8)
Lease liabilities	(96.3)	–	–	(96.3)
Cash	338.3	15.4	37.3	391.0
Net debt	(1,421.5)	(185.7)	(230.9)	(1,838.1)
Other assets and (liabilities)	(21.3)	(13.2)	(24.4)	(58.9)
EPRA NAV	2,460.9	417.8	406.5	3,285.2
Intangibles per IFRS balance sheet	(19.0)	–	–	(19.0)
EPRA NTA	2,441.9	417.8	406.5	3,266.2
Loan to value*	35%	30%	35%	34%
Loan to value post IFRS 16	36%	30%	35%	35%

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

2019	Unite £m	Share of JVs USAF £m	LSAV £m	Group on EPRA basis £m
Investment property (owned)	3,406.9	628.0	667.5	4,702.4
Investment property (leased)	110.4	–	–	110.4
Investment property (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 assets and (liabilities)	(119.3)	(1.5)	(10.9)	(131.7)
EPRA NAV	**2,260.6**	**437.3**	**411.8**	**3,109.7**
Intangibles per IFRS balance sheet	(22.7)	–	–	(22.7)
EPRA NTA	**2,237.9**	**437.3**	**411.8**	**3,087.0**
Loan to value*	**39%**	**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 NTA during the year

Contributions to EPRA NTA by each segment during the year is as follows:

2020

	Note	Unite £m	Share of joint ventures USAF £m	LSAV £m	Group on EPRA basis Total £m
Operations					
Operations segment result	2.2a	74.8	11.7	12.0	98.5
Add back amortisation of intangibles		6.4	–	–	6.4
Total Operations		81.2	11.7	12.0	104.9
Property					
Rental growth		(102.4)	(24.0)	(15.0)	(141.4)
Yield movement		(17.6)	(1.1)	0.1	(18.6)
Disposal losses (owned)		(1.9)	–	–	(1.9)
Investment property losses (owned)		(121.9)	(25.1)	(14.9)	(161.9)
Investment property losses (leased)	3.1a	(11.2)	–	–	(11.2)
Investment property losses (under development)	3.1a	(4.2)	–	–	(4.2)
Pre-contract/other development costs	2.2a	(2.2)	–	–	(2.2)
Total Property		(139.5)	(25.1)	(14.9)	(179.5)

Unallocated					
Shares issued		**294.0**	**–**	**–**	**294.0**
Investment in joint ventures		**2.3**	**(5.7)**	**3.4**	**–**
Dividends paid		**–**	**–**	**–**	**–**
Joint venture property acquisition fee		**–**	**–**	**–**	**–**
LSAV performance fee		**11.4**	**–**	**(5.7)**	**5.7**
Swap cancellation and debt break costs	4.3	**(30.1)**	**–**	**–**	**(30.1)**
Purchase of intangibles		**(2.7)**	**–**	**–**	**(2.7)**
Integration costs		**(9.2)**	**–**	**–**	**(9.2)**
Other		**(3.4)**	**(0.4)**	**(0.1)**	**(3.9)**
Total Unallocated		**262.3**	**(6.1)**	**(2.4)**	**253.8**
Total EPRA NTA movement in the year		**204.0**	**(19.5)**	**(5.3)**	**179.2**
Total EPRA NTA brought forward		**2,237.9**	**437.3**	**411.8**	**3,087.0**
Total EPRA NTA carried forward		**2,441.9**	**417.8**	**406.5**	**3,266.2**

EPRA NAV brought forward at 1 January 2020 was £3,109.7 million, and closing EPRA NAV at 31 December 2020 was £3,285.2 million. The movement of (£175.5 million) is shown in the table above by excluding the amortisation of intangibles (£6.4 million) and the purchase of intangibles £2.7 million.

The £3.9 million other balance within the unallocated segment includes a tax charge of £2.1 million, the purchase of own shares of £0.7 million and £1.0 million for contributions to the Unite Foundation.

2019

			Share of joint ventures		Group on EPRA basis
	Note	Unite £m	USAF £m	LSAV £m	Total £m
Operations					
Operations segment result	2.2a	73.1	18.9	17.5	109.5
Add back amortisation of intangibles		5.6	–	–	5.6
Total Operations		78.7	18.9	17.5	115.1
Property					
Rental growth		54.2	11.7	24.6	90.5
Yield movement		20.4	2.3	18.3	41.0
Disposal (losses)/gains (owned)		(5.5)	0.2	–	(5.3)
Investment property gains (owned)		69.1	14.2	42.9	126.2
Investment property gains (leased)	3.1a	(8.1)	–	–	(8.1)
Disposal losses investment property (leased)		(1.1)	–	–	(1.1)
Investment property gains (under development)	3.1a	80.2	–	–	80.2
Pre-contract/other development costs	2.2a	(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 debt break costs	4.3	(2.7)	–	–	(2.7)
Purchase of intangibles		(5.5)	–	–	(5.5)
Other		(3.6)	(0.2)	(0.1)	(3.9)
Total Unallocated		748.7	(19.0)	(19.3)	710.4
Total EPRA NTA movement in the year		**966.0**	**14.1**	**41.1**	**1,021.2**
Total EPRA NTA brought forward		1,271.9	423.2	370.7	2,065.8
Total EPRA NTA carried forward		**2,237.9**	**437.3**	**411.8**	**3,087.0**

EPRA NAV brought forward at 1 January 2019 was £2,088.6 million and closing EPRA NAV at 31 December 2019 was £3,109.7 million. The movement of £1,021.1 million is shown in the table above by excluding the amortisation of intangibles (£5.6 million) and the purchase of intangibles £5.5 million.

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 the fair value of financial instruments and associated tax.

To determine EPRA NTA, net assets reported under IFRS are amended to exclude the fair value of financial instruments, associated tax and the carrying value of intangibles.

To determine EPRA NRV, net assets reported under IFRS are amended to exclude the fair value of financial instruments, associated tax and real estate transfer tax.

To determine EPRA NDV, net assets reported under IFRS are amended to exclude the fair value of financial instruments, but include the fair value of fixed interest rate debt and the carrying value of intangibles.

The net assets reported under IFRS reconcile to EPRA NAV, NTA, NRV and NDV (previously NNNAV) as follows:

2020

	NAV £m	NTA £m	NRV £m	NDV £m
Net assets reported under IFRS	**3,234.9**	**3,234.9**	**3,234.9**	**3,234.9**
Mark to market interest rate swaps	24.4	24.4	24.4	–
Unamortised swap gain	(1.8)	(1.8)	(1.8)	(1.8)
Mark to market of fixed rate debt	–	–	–	(85.2)
Unamortised fair value of debt recognised on acquisition	28.1	28.1	28.1	28.1
Current tax	(0.4)	(0.4)	(0.4)	–
Intangibles per IFRS balance sheet	–	(19.0)	–	–
Real estate transfer tax	–	–	312.0	–
EPRA reporting measure	**3,285.2**	**3,266.2**	**3,597.2**	**3,176.0**

2019

	NAV £m	NTA £m	NRV £m	NDV £m
Net assets reported under IFRS	**3,071.5**	**3,071.5**	**3,071.5**	**3,071.5**
Mark to market interest rate swaps	8.3	8.3	8.3	–
Unamortised swap gain	(2.1)	(2.1)	(2.1)	(2.1)
Mark to market of fixed rate debt	–	–	–	(93.5)
Unamortised fair value of debt recognised on acquisition	32.4	32.4	32.4	32.4
Current tax	(0.4)	(0.4)	(0.4)	–
Intangibles per IFRS balance sheet	–	(22.7)	–	–
Real estate transfer tax	–	–	280.5	–
EPRA reporting measure	**3,109.7**	**3,087.0**	**3,390.2**	**3,008.3**

The previous EPRA NAV metric reconciles to the new EPRA NAV, NTA, NRV and NDV (previously NNNAV) metrics as follows:

2020	NTA £m	NRV £m	NDV £m	NTA pps	NRV pps	NDV pps
EPRA NAV	**3,285.2**	**3,285.2**	**3,285.2**	**823p**	**823p**	**823p**
Intangibles per IFRS balance sheet	(19.0)	–	–	(5p)	–	–
Real estate transfer tax	–	312.0	–	–	78p	–
Mark to market of fixed rate debt	–	–	(85.2)	–	–	(21p)
Mark to market interest swaps	–	–	(24.4)	–	–	(6p)
Current tax	–	–	0.4	–	–	–
EPRA reporting measure	**3,266.2**	**3,597.2**	**3,176.0**	**818p**	**901p**	**796p**

2019	NTA £m	NRV £m	NRV £m	NTA pps	NRV pps	NRV pps
EPRA NAV (as previously reported)	**3,109.7**	**3,109.7**	**3,109.7**	**853p**	**853p**	**853p**
Intangibles per IFRS balance sheet	(22.7)	–	–	(6p)	–	–
Real estate transfer tax	–	280.5	–	–	77p	–
Mark to market of fixed rate debt	–	–	(93.5)	–	–	(25p)
Mark to market interest swaps	–	–	(8.3)	–	–	(2p)
Current tax	–	–	0.4	–	–	–
EPRA reporting measure	**3,087.0**	**3,390.2**	**3,008.3**	**847p**	**930p**	**826p**

2.3d) NAV, NTA, NRV and NDV per share

Basic NAV is based on the net assets attributable to the equity shareholders of The Unite Group PLC and the number of shares in issue at the end of the year. The Board uses EPRA NAV and NTA to monitor the performance of the Property segment on a day-to-day basis.

	Note	2020 £m	2019 £m	2020 pps	2019 pps
Basic		**3,234.9**	3,071.5	**809p**	845p
EPRA NAV	2.3a	**3,285.2**	3,109.7	**825p**	855p
EPRA NAV (diluted)		**3,290.0**	3,114.0	**823p**	853p
EPRA NTA	2.3a	**3,266.2**	3,087.0	**820p**	849p
EPRA NTA (diluted)		**3,271.0**	3,091.4	**818p**	847p
EPRA NRV	2.3c	**3,597.2**	3,390.2	**903p**	932p
EPRA NRV (diluted)		**3,601.9**	3,394.5	**901p**	930p
EPRA NDV		**3,176.0**	3,008.3	**798p**	827p
EPRA NDV (diluted)		**3,180.7**	3,012.6	**796p**	826p

Number of shares (thousands)	2020	2019
Basic	**398,226**	363,618
Outstanding share options	**1,484**	1,309
Diluted	**399,710**	**364,927**

2.4 Revenue and costs

The Group earns revenue from the following activities:

		Note	2020 £m	2019 £m
Rental income*	Operations segment	2.2a	**196.1**	134.1
Management fees	Operations segment	2.2a	**14.0**	14.4
LSAV performance fee	Unallocated		**5.7**	5.7
USAF acquisition fee	Unallocated		**–**	2.2
			215.8	**156.4**
Impact of minority interest on management fees			**(0.2)**	(0.2)
Total revenue			**215.6**	**156.2**

* EPRA earnings includes £263.2 million (2019: £213.9 million) of rental income, which is comprised of £196.1 million (2019: £134.1 million) recognised on wholly owned assets and a further £67.1 million (2019: £79.8 million) from joint ventures, which is included in share of joint venture (loss)/profit in the consolidated income statement.

The cost of sales included in the consolidated income statement includes property operating expenses of £53.3 million (2019: £32.1 million).

2.5 Tax

As a REIT, rental profits and gains on disposal of investment properties are exempt from corporation tax. The Group pays UK corporation tax on the profits from its residual business, including profits arising on construction operations and management fees received from joint ventures, together with UK income tax on rental income that arises from investments held by offshore subsidiaries in which the Group holds a minority interest.

2.5a) Tax – income statement

The total taxation charge/(credit) in the income statement is analysed as follows:

	2020 £m	2019 £m
Corporation tax on residual business income arising in UK companies	1.2	2.1
Income tax on UK rental income arising in non-UK companies	0.3	0.4
Adjustments in respect of prior periods	(0.3)	(2.4)
Current tax charge	1.2	**0.1**
Origination and reversal of temporary differences	0.9	(13.9)
Effect of change in tax rate	(0.1)	–
Adjustments in respect of prior periods	0.1	0.2
Deferred tax charge/(credit)	0.9	**(13.7)**
Total tax charge/(credit) in income statement	2.1	**(13.6)**

The movement in deferred tax provided is shown in more detail in note 2.5d.

In the income statement, a tax charge of £2.1 million arises on a loss before tax of £120.1 million. The taxation credit that would arise at the standard rate of UK corporation tax is reconciled to the actual tax charge as follows:

	2020 £m	2019 £m
Loss before tax	(120.1)	**(101.2)**
Income tax using the UK corporation tax rate of 19% (2019: 19%)	(22.8)	(19.2)
Property rental business profits exempt from tax in the REIT Group	(7.4)	(15.2)
Release of deferred tax liability due to legislative change	0.1	(13.6)
Non-taxable items relating to the acquisition of Liberty Living	(0.8)	76.7
Property revaluations not subject to tax	31.2	(40.5)
Mark to market changes in interest rate swaps not subject to tax	1.1	–
Effect of indexation on investments	0.7	–
Effect of statutory tax reliefs	0.1	0.1
Effect of tax deduction transferred to equity on share schemes	–	0.2
Rate difference on deferred tax	–	0.1
Prior year adjustments	(0.1)	(2.2)
Total tax charge/(credit) in income statement	2.1	**(13.6)**

As a UK REIT, the Group is exempt from UK corporation tax on the profits from its property rental business. Accordingly, the element of the Group's profit before tax relating to its property rental business has been separately identified in the reconciliation above.

Although the Group does not pay UK corporation tax on the profits from its property rental business, it is required to distribute 90% of the profits from its property rental business after accounting for tax adjustments as a Property Income Distribution (PID). PIDs are charged to tax in the same way as property income in the hands of the recipient. For the year ended 31 December 2020 the required PID is expected to be fully paid by the end of 2021.

2.5b) Tax – other comprehensive income

Within other comprehensive income a tax charge totalling £nil (2019: £nil) has been recognised representing deferred tax.

2.5c) Tax – statement of changes in equity

Within the statement of changes in equity a tax charge totalling £0.1 million (2019: £1.1 million credit) has been recognised representing deferred tax. An analysis of this is included below in the deferred tax movement table.

2.5d) Tax – balance sheet

The table below outlines the deferred tax (assets)/liabilities that are recognised in the balance sheet, together with their movements in the year:

2020

	At 31 December 2019 £m	Charged/(credited) in income £m	Charged/(credited) in equity £m	At 31 December 2020 £m
Investments	**–**	–	–	**–**
Property, plant and machinery and provisions	**(0.9)**	0.3	–	**(0.6)**
Share schemes	**(1.3)**	(0.2)	0.2	**(1.3)**
Tax value of carried forward losses recognised	**(0.7)**	0.8	(0.1)	**–**
Net tax (assets)/liabilities	**(2.9)**	**0.9***	**0.1**	**(1.9)**

* The £0.9 million balance above includes tax movements totalling £0.8m in respect of Property, plant and machinery, share schemes and losses which are included in EPRA earnings and therefore not shown as a reconciling item in the IFRS reconciliation in note 2.2b. Removing them results in the £0.1 million movement shown in note 2.2b.

2019

	At 31 December 2018 £m	Charged/(credited) in income £m	Charged/(credited) in equity £m	At 31 December 2019 £m
Investments	**24.4**	(24.4)	–	**–**
Property, plant and machinery and provisions	**(0.7)**	0.1	(0.3)	**(0.9)**
Share schemes	**(0.6)**	(0.1)	(0.6)	**(1.3)**
Tax value of carried forward losses recognised	**(11.2)**	10.7	(0.2)	**(0.7)**
Net tax liabilities/(assets)	**11.9**	(13.7)*	**(1.1)**	**(2.9)**

* The (£13.7 million) balance above includes tax movements which are included in EPRA earnings and therefore not shown as a reconciling item in the IFRS reconciliation in note 2.2 b. Removing them results in the £14.3 million movement shown in note 2.2b.

Section 3: Asset management

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 NTA and NAV, all these groups are shown at market value.

i) Investment property (owned)

These are assets that the Group intends to hold for a long period to earn rental income or capital appreciation. The assets are held at fair value in the balance sheet with changes in fair value taken to the income statement.

ii) Investment property (leased)

These are assets the Group sold to institutional investors and simultaneously leased back. The assets are held at fair value in the balance sheet with changes in fair value taken to the income statement.

iii) Investment property (under development)

These are assets which are currently in the course of construction and which will be transferred to Investment property on completion. The assets are held at fair value in the balance sheet with changes in fair value taken to the income statement.

Valuation process

The valuations of the properties are performed twice a year on the basis of valuation reports prepared by external, independent valuers, having an appropriate recognised professional qualification. The fair values are based on market values as defined in the RICS Appraisal and Valuation Manual, issued by the Royal Institution of Chartered Surveyors. CB Richard Ellis Ltd, Jones Lang LaSalle Ltd and Messrs Knight Frank LLP, Chartered Surveyors were the valuers in the years ended 31 December 2020 and 2019.

The valuations are based on:

- Information provided by the Group such as current rents, occupancy, operating costs, terms and conditions of leases and nomination agreements, capital expenditure, etc. This information is derived from the Group's financial systems and is subject to the Group's overall control environment.
- Assumptions and valuation models used by the valuers – the assumptions are typically market related, such as yield and discount rates. These are based on their professional judgement and market observation.

The information provided to the valuers – and the assumptions and the valuation models used by the valuers – are reviewed by the Property Board and the CFO. This includes a review of the fair value movements over the year.

The fair value of the Group's wholly owned properties and the movements in the carrying value of the Group's wholly owned property portfolio during the year ended 31 December 2020 are shown in the table below.

2020

	Investment property (owned) £m	Investment 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	25.0	2.6	87.6	115.2
Interest capitalised	–	–	4.6	4.6
Transfer from investment property under development	312.6	–	(312.6)	–
Transfer from work in progress	–	–	–	–
Disposals	(9.8)	–	–	(9.8)
Valuation gains	56.5	–	6.4	62.9
Valuation losses	(176.5)	(11.2)	(10.6)	(198.3)
Net valuation losses	(120.0)	(11.2)	(4.2)	(135.4)
Carrying and market value at 31 December 2020	3,614.7	101.8	187.2	3,903.7

The fair value of the Group's wholly owned properties and the movements in the carrying value of the Group's wholly owned property portfolio during the year ended 31 December 2019 are shown in the table below.

2019

	Investment property (owned) £m	Investment property (leased) £m	Investment property (under development) £m	Total £m
At 1 January 2019	1,497.1	128.0	278.9	1,904.0
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	74.6	(8.1)	80.2	146.7
Carrying and market value at 31 December 2019	**3,406.9**	**110.4**	**411.8**	**3,929.1**

Included within investment properties at 31 December 2020 are £29.7 million (2019: £31.3 million) of assets held under a long leasehold and £0.1 million (2019: £0.1 million) of assets held under short leasehold.

Total interest capitalised in investment properties (owned) and investment properties under development at 31 December 2020 was £52.2 million (2019: £47.6 million) on a cumulative basis. Total internal costs capitalised in investment properties (owned) and investment properties under development was £66.8 million at 31 December 2020 (2019: £63.4 million) on a cumulative basis.

Recurring fair value measurement

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

Class of asset	2020 £m	2019 £m
London – rental properties	**1,137.0**	1,015.0
Prime provincial – rental properties	**949.3**	876.5
Major provincial – rental properties	**1,255.8**	1,198.1
Other provincial – rental properties	**272.6**	317.3
London – development properties	**158.8**	245.1
Prime provincial – development properties	**25.6**	76.1
Major provincial – development properties	**2.8**	90.6
Investment property (owned)	**3,801.9**	**3,818.7**
Investment property (leased)	**101.8**	**110.4**
Market value	**3,903.7**	**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 valuations also reflect the length of the lease, the allocation of maintenance and insurance responsibilities between the Group and the lessee, and the market's general perception of the lessee's creditworthiness.

The resulting valuations are cross-checked against the initial yields and the capital value per bed derived from actual market transactions.

For development properties, the fair value is usually calculated by estimating the fair value of the completed property (using the discounted cash flow method) less estimated costs to completion.

Fair value using unobservable inputs (Level 3)

	2020 £m	2019 £m
Opening fair value	**3,929.1**	1,904.0
Acquired through business combination	**–**	1,952.1
(Losses) and gains recognised in income statement	**(135.4)**	146.7
Capital expenditure	**119.8**	236.9
Disposals	**(9.8)**	(310.6)
Closing fair value	**3,903.7**	**3,929.1**

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

2020

	Fair value £m	Valuation technique	Unobservable inputs	**Range**	**Weighted average**
London – rental properties	**1,137.0**	Discounted cash flows	Net rental income (£ per week) Estimated future rent increase (%) Discount rate (yield) (%)	**£164-£370 2%-3% 3.9%-5.0%**	**£267 3% 4.0%**
Prime provincial – rental properties	**949.3**	Discounted cash flows	Net rental income (£ per week) Estimated future rent increase (%) Discount rate (yield) (%)	**£140-£229 2%-3% 4.0%-6.2%**	**£169 3% 4.8%**
Major provincial – rental properties	**1,255.8**	Discounted cash flows	Net rental income (£ per week) Estimated future rent increase (%) Discount rate (yield) (%)	**£82-£167 1%-3% 4.7%-7.0%**	**£132 2% 5.7%**
Other provincial – rental properties	**272.6**	Discounted cash flows	Net rental income (£ per week) Estimated future rent increase (%) Discount rate (yield) (%)	**£87-£188 1%-3% 5.0%-13.8%**	**£136 2% 6.8%**
London – development properties	**158.8**	Discounted cash flows	Estimated cost to complete (£m) Estimated future rent increase (%) Discount rate (yield) (%)	**£84.9m-£147.9m 3% 4.0%**	**£114.9m 3% 4.0%**
Prime provincial – development properties	**25.6**	Discounted cash flows	Estimated cost to complete (£m) Estimated future rent increase (%) Discount rate (yield) (%)	**£19.1m-£65.3m 3% 4.3%**	**£40.8m 3% 4.3%**
Major provincial – development properties	**2.8**	Discounted cash flows	Estimated cost to complete (£m) Estimated future rent increase (%) Discount rate (yield) (%)	**£45.5m 3% –**	**£45.5m 3% –**
	3,801.9				

Investment property (leased)	**101.8**	Discounted cash flows	Net rental income (£ per week) Estimated future rent increase (%) Discount rate (yield) (%)	**£129-£185** **3%** **6.8%**	**£147** **3%** **6.8%**
Fair value at 31 December 2020	**3,903.7**				

2019

	Fair value £m	Valuation technique	Unobservable inputs	Range	Weighted average
London – rental properties	1,015.0	Discounted cash flows	Net rental income (£ per week) Estimated future rent increase (%) Discount rate (yield) (%)	£192-£367 3%-5% 3.9%-5.0%	£277 4% 4.0%
Prime provincial – rental properties	876.5	Discounted cash flows	Net rental income (£ per week) Estimated future rent increase (%) Discount rate (yield) (%)	£137-£212 2%-5% 4.5%-6.0%	£163 3% 5.0%
Major provincial – rental properties	1,198.1	Discounted cash flows	Net rental income (£ per week) Estimated future rent increase (%) Discount rate (yield) (%)	£74-£157 2%-5% 4.8%-6.1%	£129 3% 5.7%
Other provincial – rental properties	317.3	Discounted cash flows	Net rental income (£ per week) Estimated future rent increase (%) Discount rate (yield) (%)	£107-£181 1%-4% 5.0%-15.5%	£138 3% 6.6%
London – development properties	245.1	Discounted cash flows	Estimated cost to complete (£m) Estimated future rent increase (%) Discount rate (yield) (%)	£30.8m-£91.4m 3% 4.0%	£65.6m 3% 4.0%
Prime provincial – development properties	76.1	Discounted cash flows	Estimated cost to complete (£m) Estimated future rent increase (%) Discount rate (yield) (%)	£16.8m-£76.4m 3% 4.8%-5.0%	£43.2m 3% 4.9%
Major provincial – development properties	90.6	Discounted cash flows	Estimated cost to complete (£m) Estimated future rent increase (%) Discount rate (yield) (%)	£35.1m-£46.8m 3% 4.5%	£39.6m 3% 4.5%
	3,818.7				
Investment property (leased)	110.4	Discounted cash flows	Net rental income (£ per week) Estimated future rent increase (%) Discount rate (yield) (%)	£121-£167 3% 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 31 December 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	**1,137.0**	1,213.8	1,100.5	1,090.1	1,233.2
Prime provincial	**949.3**	1,019.3	923.7	923.8	1,024.5
Major provincial	**1,255.8**	1,350.3	1,222.6	1,232.5	1,345.4
Other provincial	**272.6**	294.8	266.8	270.4	292.1
Development properties					
London	**158.8**	169.7	147.9	142.6	168.0
Prime provincial	**25.6**	30.4	20.9	18.5	34.2
Major provincial	**2.8**	2.8	2.8	4.7	1.1
Market value	**3,801.9**	4,081.1	3,685.2	3,682.6	4,098.5

3.2 Inventories

	2020 £m	2019 £m
Interests in land	**6.7**	1.5
Other stocks	**2.1**	2.5
Inventories	**8.8**	**4.0**

At 31 December 2020, the Group had interests in four pieces of land (2019: two pieces of land).

3.3 Investments in joint ventures

The Group has two joint ventures:

Joint venture	Group's share of assets/results 2020 (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 UK Student Accommodation Fund, a Jersey Unit Trust
London Student Accommodation Venture (LSAV)	50% (50%)	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 Limited, in which there is an external investor. A minority interest therefore occurs on consolidation of the Group's results representing the external investor's share of profits and assets relating to its investment in USAF. The ordinary shareholders of The Unite Group PLC are beneficially interested in 22.0% (2019: 22.0%) of USAF.

3.3a) Net assets and results of the joint ventures

The summarised balance sheets and results for the year, and the Group's share of these joint ventures are as follows:

2020

			USAF £m		LSAV £m		Total £m
	Gross	MI	Share	Gross	Share	Gross	Share
Investment property	2,798.3	38.3	616.7	1,323.6	661.8	4,121.9	1,316.8
Cash	69.7	1.0	15.4	74.6	37.3	144.3	53.7
Debt	(912.7)	(12.5)	(201.1)	(536.4)	(268.2)	(1,449.1)	(481.8)
Swap liabilities	–	–	–	(1.2)	(0.6)	(1.2)	(0.6)
Other current assets	1.0	–	0.2	0.4	0.2	1.4	0.4
Other current liabilities	(61.0)	(1.5)	(13.4)	(49.2)	(24.6)	(110.2)	(39.5)
Net assets	1,895.3	25.3	417.8	811.8	405.9	2,707.1	849.0
Minority interest	–	(25.3)	–	–	–	–	(25.3)
Swap liabilities	–	–	–	1.2	0.6	1.2	0.6
EPRA NTA	1,895.3	–	417.8	813.0	406.5	2,708.3	824.3
(Loss)/profit for the year	(42.6)	(0.8)	(11.1)	0.6	0.3	(42.0)	(11.6)

2019

			USAF £m		LSAV £m		Total £m
	Gross	MI	Share	Gross	Share	Gross	Share
Investment property	2,849.9	39.0	628.0	1,335.0	667.5	4,184.9	1,334.5
Cash	23.7	0.3	5.2	45.6	22.8	69.3	28.3
Debt	(882.1)	(12.1)	(194.4)	(535.2)	(267.6)	(1,417.3)	(474.1)
Swap liabilities	–	–	–	(1.2)	(0.6)	(1.2)	(0.6)
Other current assets	151.8	2.1	33.4	2.7	1.3	154.5	36.8
Other current liabilities	(160.6)	(2.6)	(34.9)	(24.4)	(12.2)	(185.0)	(49.7)
Net assets	1,982.7	26.7	437.3	822.5	411.2	2,805.2	875.2
Minority interest	–	(26.7)	–	–	–	–	(26.7)
Swap liabilities	–	–	–	1.2	0.6	1.2	0.6
EPRA NTA	1,982.7	–	437.3	823.7	411.8	2,806.4	849.1
Profit for the year	144.0	2.1	37.1	126.9	63.4	270.9	102.6

Net assets and (loss)/profit for the year above include the minority interest, whereas EPRA NTA excludes the minority interest.

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

The carrying value of the Group's investment in joint ventures decreased by £26.2 million during the year ended 31 December 2020 (2019: £55.5 million increase), resulting in an overall carrying value of £849.0 million (2019: £875.2 million).

The following table shows how the decrease has arisen.

	2020 £m	2019 £m
Recognised in the income statement:		
Operations segment result	23.7	36.4
Minority interest share of Operations segment result	0.6	1.1
Management fee adjustment related to trading with joint venture	6.3	6.8
Net valuation (losses)/gains on investment property	(41.5)	58.3
Property disposals	-	0.4
Other	(0.7)	(0.4)
	(11.6)	102.6
Recognised in equity:		
Movement in effective hedges	(0.1)	(0.5)
Other adjustments to the carrying value:		
Profit adjustment related to trading with joint venture	(6.3)	(8.1)
Additional capital invested in LSAV	7.5	–
LSAV performance fee	(5.7)	(5.7)
Distributions received	(10.0)	(32.8)
(Decrease)/increase in carrying value	(26.2)	55.5
Carrying value at 1 January	875.2	819.7
Carrying value at 31 December	849.0	875.2

3.3c) Transactions with joint ventures

The Group acts as asset and property manager for the joint ventures and receives management fees in relation to these services.

In addition, the Group is entitled to performance fees from USAF and LSAV if the joint ventures outperform certain benchmarks. The Group receives either cash or an enhanced equity interest in the joint ventures as consideration for the performance fee. The Group has recognised the following gross fees in its results for the year.

	2020 £m	2019 £m
USAF	13.5	14.6
LSAV	6.6	6.4
Asset and property management fees	**20.1**	**21.0**
LSAV performance fee	11.4	11.4
USAF acquisition fee	–	2.8
Investment management fees	11.4	14.2
Total fees	31.5	35.2

On an EPRA basis, fees from joint ventures are shown net of the Group's share of the cost to the joint ventures.

The Group's share of the cost to the joint ventures is £6.1 million (2019: £6.6 million), which results in management fees from joint ventures of £14.0 million being shown in the Operating segment result in note 2.2a (2019: £14.4 million).

Investment management fees are included within the unallocated to segments section in note 2.2a.

The Group did not sell any properties to USAF or LSAV in 2020. During 2019, the Group sold five properties to USAF for gross proceeds of £202.3 million. All five properties had been held on balance sheet as investment property within non-current assets. The proceeds and carrying value of the property are therefore recognised in profit on disposal of property and the cash flows in investing activities. The profits relating to the sales, associated disposal costs and related cash flows are set out below:

	Profit and loss	
	2020 £m	2019 USAF £m
Included in profit on disposal of property (net of joint venture trading adjustment)	–	1.8
Profit on disposal of property	–	1.8

	Cash flow	
	2020 £m	2019 USAF £m
Gross proceeds	–	202.3
Net cash flows included in cash flows from investing activities	–	202.3

Section 4: Funding

4.1 Borrowings

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

	Group – Carrying value	
	2020 £m	2019 £m
Current		
In one year or less, or on demand	–	1.4
Non-current		
In more than one year but not more than two years	795.9	1.5
In more than two years but not more than five years	297.3	964.7
In more than five years	568.6	567.6
	1,661.8	1,533.8
Unamortised fair value of debt recognised on acquisition	28.1	32.4
Total borrowings	1,689.9	1,567.6

In addition to the borrowings currently drawn as shown above, the Group has available undrawn facilities of £50.0 million (2019: £305.0 million). A further overdraft facility of £10.0 million (2019: £10.0 million) is also available.

Properties with a carrying value of £nil (2019: £604.7 million) have been pledged as security against the Group's drawn down borrowings. During the year the Group repaid all of its secured borrowings, retaining only unsecured borrowing at 31 December 2020.

The carrying value and fair value of the Group's borrowings is analysed below:

	2020		2019	
	Carrying value £m	Fair value £m	Carrying value £m	Fair value £m
Level 1 IFRS fair value hierarchy	903.1	932.2	907.4	930.9
Level 2 IFRS fair value hierarchy	–	–	231.9	244.6
Other loans and unamortised arrangement fees	786.8	786.8	428.3	428.3
Total borrowings	1,689.9	1,719.0	1,567.6	1,603.8

The fair value of loans classified as Level 1 in the IFRS fair value hierarchy is determined using quoted prices in active markets for identical liabilities.

The fair value of loans classified as Level 2 in the IFRS fair value hierarchy has been calculated by a third party expert discounting estimated future cash flows on the basis of market expectation of future interest rates. The fair value represents the net present value of the difference between the contracted rate and the valuation rate when applied to the projected balances for the period from the reported date to the contracted expiry date. Loans are valued using the mid-point of the yield curve prevailing on the reporting date. The valuations do not include accrued interest from the previous settlement date to the reporting date nor a credit valuation adjustment.

The following table shows the changes in liabilities arising from financing activities:

2020

	at 1 January 2020	Financing cash flows	Fair Value adjustments	Other changes	at 31 December 2020
Borrowings	1,567.6	121.7	(4.3)	4.9	1,689.9
Lease liabilities	104.8	(4.3)	–	0.6	101.1
Interest rate swaps	7.6	–	16.0	–	23.6
Total liabilities from financing activities	1,680.0	117.4	11.7	5.5	1,814.6

2019

	at 31 December 2018	Financing cash flows	Acquired through business combination (note 6)	Fair Value adjustments	Other changes	at 31 December 2019
Borrowings	592.6	79.0	861.7	32.4	1.9	1,567.6
Lease liabilities	109.5	(5.6)	0.9	–	–	104.8
Interest rate swaps	0.1	–	–	7.5	–	7.6
Total liabilities from financing activities	702.2	73.4	862.6	39.9	1.9	1,680.0

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:

	2020 £m	2019 £m
Current	5.8	–
Non-current	17.8	7.6
Fair value of interest rate swaps	23.6	7.6

The fair value of interest rate swaps (a credit balance in 2020 and 2019) have been calculated by a third party expert, discounting estimated future cash flows on the basis of market expectations of future interest rates, representing Level 2 in the IFRS 13 fair value hierarchy.

4.3 Net financing costs

Recognised in the income statement:	2020 £m	2019 £m
Interest income	(5.6)	(5.5)
Finance income	(5.6)	(5.5)
Gross interest expense on loans	50.8	32.9
Interest capitalised	(4.6)	(9.1)
Amortisation of fair value of debt recognised on acquisition	(4.3)	–
Loan interest and similar charges	41.9	23.8
Interest on lease liabilities	8.8	9.2
Mark to market changes on interest rate swaps	5.8	2.7
Swap cancellation and loan break costs	30.1	2.7
Finance costs	86.6	38.4
Net financing costs	81.0	32.9

The average cost of the Group's wholly owned investment debt for the year ended 31 December 2020 is 3.2% (2019: 3.3%). The overall average cost of investment debt on an EPRA basis is 3.2% (2019: 3.3%).

4.4 Gearing

LTV is a key indicator that the Group uses to manage its indebtedness. The Group also monitors gearing, which is calculated using EPRA net asset value (NAV) and adjusted net debt. Adjusted net debt excludes IFRS 16 lease liabilities, the unamortised fair value of debt recognised on acquisition and mark to market of interest rate swaps as shown below.

The Group's gearing ratios are calculated as follows:

	Note	2020 £m	2019 £m
Cash and cash equivalents	5.1	338.3	86.9
Current borrowings	4.1	–	(1.4)
Non-current borrowings	4.1	(1,689.9)	(1,566.2)
Lease liabilities	4.6a	(101.1)	(104.8)
Interest rate swaps	4.2	(23.6)	(7.6)
Net debt per balance sheet		(1,476.3)	(1,593.1)
Lease liabilities	4.6a	101.1	104.8
Unamortised fair value of debt recognised on acquisition	2.3c	28.1	32.4
Adjusted net debt		(1,347.1)	(1,448.3)

Reported net asset value	2.3c	3,234.9	3,071.5
EPRA net asset value	2.3c	3,285.2	3,109.7
Gearing			
Basic (net debt/reported net asset value)		46%	52%
Adjusted gearing (adjusted net debt/EPRA net asset value)		41%	47%
Loan to value	2.3a	34%	37%

4.5 Covenant compliance

The Group monitors its covenant position and the forecast headroom available on a monthly basis. At 31 December 2020, the Group was in full compliance with all of its borrowing covenants.

The Group's unsecured borrowings carry several covenants. The covenant regime is IFRS based and gives the Group substantial operational flexibility, allowing property acquisitions, disposals and developments to occur with relative freedom.

	31 December 2020		31 December 2019	
	Covenant	Actual	Covenant	Actual
Gearing	< 1.50	0.42	< 1.50	0.50
Unencumbered assets ratio	> 1.70	2.81	> 1.70	2.52
Secured gearing	< 0.25	0.0	< 0.25	0.05
Development assets ratio	< 30%	4%	< 30%	9%
Joint venture ratio	< 55%	18%	< 55%	19%
Interest cover	> 2.00	3.9	> 2.00	7.6

The Group also has bonds which carry several covenants which the Group was also in full compliance with as set out below.

	31 December 2020		31 December 2019	
	Weighted covenant	Weighted actual	Weighted covenant	Weighted actual
Net gearing	< 60%	35%	< 60%	40%
Secured gearing	< 25%	0%	< 25%	0%
Unsecured gearing	> 1.67	2.87	> 1.67	2.50
Interest cover	> 1.75	2.67	> 1.75	3.87

The Group's two secured loan facilities were repaid in full in 2020. The covenant headroom position on the secured loans in 2019 is outlined below and assumes that the Group is able to use available cash within net debt.

	31 December 2020		31 December 2019	
	Weighted covenant	Weighted actual	Weighted covenant	Weighted actual
Loan to value	n/a	n/a	75%	36%
Interest cover	n/a	n/a	1.5	2.6

4.6 Equity

The Company's issued share capital has increased during the year as follows:

Called up, allotted and fully paid ordinary shares of £0.25p each	2020 No. of shares	2020 Ordinary shares £m	2020 Share Premium £m	2019 No. of shares	2019 Ordinary shares £m	2019 Share Premium £m
At 1 January	363,591,882	90.9	1,874.9	263,515,151	65.9	740.5
Shares issued (placing)	34,502,872	8.6	285.1	26,353,664	6.6	247.6
Shares issued (scrip dividend)	–	–	–	1,017,472	0.3	(0.3)
Shares issued (consideration for Liberty Living)	–	–	–	72,582,286	18.1	887.0
Shares issued (options exercised)	75,678	–	0.3	123,309	–	0.1
At 31 December	398,170,432	99.5	2,160.3	363,591,882	90.9	1,874.9

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

4.7 Dividends

During the year, the Company cancelled the proposed final 2019 dividend and did not pay an interim 2020 dividend (2019: £23.3 million interim dividend – 10.25p per share and £47.5 million final dividend – 19.5p per share relating to the year ended 31 December 2018).

After the year-end, the Directors proposed a final dividend per share of 12.75p (2019: 22.95p which was subsequently cancelled), bringing the total dividend per share for the year to 12.75p (2019: 10.25p). No provision has been made in relation to this dividend.

The Group has modelled tax adjusted property business profits for 2020 and 2021 and the PID requirement in respect of the year ended 31 December 2020 is expected to be satisfied by the end of 2021.

Section 5: Working capital

5.1 Cash and cash equivalents

The Group's cash position at 31 December 2020 was £338.3 million (2019: £86.9 million).

The Group's cash balances include £1.2 million (2019: £2.6 million) whose use at the balance sheet date is restricted by funding agreements to pay operating costs.

The Group generates cash from its operating activities as follows:

	Note £m	Group 2020 £m	Group 2019 £m
Loss for the year		(122.2)	(87.6)
Adjustments for:			
Depreciation and amortisation		9.2	7.6
Impairment of goodwill and acquired intangible asset		–	384.1
Acquisition costs		–	22.8
Fair value of share-based payments		1.7	2.2
Dividends received		–	–
Change in value of investment property (owned and under development)	3.1	124.2	(154.8)
Change in value of investment property (leased)	3.1	11.2	8.1
Change in value of investments	3.5	–	–
Net finance costs excluding interest on lease liabilities	4.3	45.1	18.3
Mark to market changes in interest rate swaps	4.3	5.8	2.7
Swap break and debt exit costs	4.3	30.1	2.7
Loss on disposal of investment property (owned)		1.9	6.2
Loss on disposal of investment property (leased)		–	1.1
Share of joint venture loss/(profit)	3.3b	11.6	(102.6)
Trading with joint venture adjustment		12.0	8.1
Tax charge/(credit)	2.5a	2.1	(13.6)
Cash flows from operating activities before changes in working capital		132.7	105.3
(Increase)/decrease in trade and other receivables		(0.3)	(1.6)
(Increase) in inventories		(4.5)	(1.7)
(Decrease)/increase in trade and other payables		(53.3)	(21.3)
Cash flows from operating activities		74.6	80.7
Tax paid		(1.3)	(2.2)
Net cash flows from operating activities		73.3	78.5

Cash flows consist of the following segmental cash inflows/(outflows): operations £57.3 million (2019: £85.4 million), property (£78.2 million) (2019: £191.8 million) and unallocated £272.3 million (2019: £314.5 million).

The unallocated amount includes a net cash outflow of £nil in respect of the acquisition of Liberty Living (2019: £487.1 million), amounts received from shares issued £294.0 million (2019: £254.7 million), dividends paid £nil (2019: (£69.6 million)), tax paid (£1.3 million) (2019: (£2.2 million)) and investment in joint ventures (£7.5 million) (2019: £nil).

During the year the Company novated £400 million of debt (2019: nil) from subsidiary undertakings and this forms the significant proportion of non-cash movement in inter-company balances.

5.2 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. It arises principally from the Group's cash balances, the Group's receivables from customers and joint ventures and loans provided to the Group's joint ventures.

At the year-end, the Group's maximum exposure to credit risk was as follows:

	Note	2020 £m	2019 £m
Cash	5.1	338.3	86.9
Trade receivables		16.4	30.5
Amounts due from joint ventures		48.0	30.1
		402.7	147.5

5.2a) Cash

The Group operates investment guidelines with respect to surplus cash. Counterparty limits for cash deposits are largely based upon long-term ratings published by credit rating agencies and credit default swap rates. Deposits were placed with financial institutions with A- or better credit ratings.

5.2b) Trade receivables

The Group's customers can be split into two groups – (i) students (individuals) and (ii) commercial organisations including Universities. The Group's exposure to credit risk is influenced by the characteristics of each customer. The Group holds customer deposits of £0.8 million (2019: £1.0 million) as collateral against individual customers.

5.2c) Joint ventures

Amounts receivable from joint ventures fall into two categories – working capital balances and investment loans. The Group has strong working relationships with its joint venture partners and therefore views this as a low credit risk balance.

5.3 Provisions

During 2020, and in accordance with the Government's Building Safety Advice of 20 January 2020, we undertook a thorough review of the use of High-Pressure Laminate (HPL) cladding on our properties. We have identified 19 properties with HPL that needs replacing across our estate, four of which are wholly owned. We are currently carrying out replacement works for properties with HPL cladding, with activity prioritised according to our risk assessments, starting with those over 18 metres in height. The overall cost of replacing the HPL cladding is expected to be £79.9 million (Unite Share: £33.8 million), of which £15.7 million is in respect of wholly owned properties. Whilst the overall timetable for these works is uncertain, we anticipate this will be incurred over the next 3 years. The regulations continue to evolve in this area and we will ensure that our buildings are safe for occupation and compliant with laws and regulations.

The Group has recognised provisions for the cost of these cladding works as follows:

	Gross £m				Unite Share £m			
	Wholly owned	USAF	LSAV	Total	Wholly owned	USAF	LSAV	Total
At 31 December 2018	1.5	4.8	1.2	7.5	1.5	1.1	0.6	3.2
Additions	1.4	0.4	–	1.8	1.4	0.1	–	1.5
Utilisation	(2.6)	(3.8)	(1.2)	(7.6)	(2.6)	(0.8)	(0.6)	(4.0)
At 31 December 2019	0.3	1.4	–	1.7	0.3	0.4	–	0.7
Additions	15.7	50.6	14.4	80.7	15.7	11.0	7.2	33.9
Utilisation	(0.3)	(2.0)	(0.2)	(2.5)	(0.3)	(0.4)	(0.1)	(0.8)
At 31 December 2020	15.7	50.0	14.2	79.9	15.7	11.0	7.1	33.8

Section 6: Post balance sheet events

On 12 March 2021, and in the normal course of business, the Group exchanged contracts for the disposal of a portfolio of eight properties within Investment Property and Investment Property held within its Investment in joint ventures for a combined consideration of £132.5 million.

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 2.2c. Definitions can also be found in the glossary.

	Note	2020 £m	2019 £m
EBIT			
Net operating income (NOI)	2.2a	180.3	160.8
Management fees	2.2a	14.0	14.4
Operating expenses	2.2a	(30.9)	(21.8)
		163.4	153.4
EBIT margin %			
Rental income	2.2a	263.2	213.9
EBIT	7	163.4	153.4
		62.1%	71.7%
EBITDA			
Net operating income (NOI)	2.2a	180.3	160.8
Management fees	2.2a	14.0	14.4
Operating expenses	2.2a	(30.9)	(21.8)
Depreciation and amortisation		8.4	7.6
		171.8	161.0
Net debt			
Cash	2.3a	391.0	114.9
Debt	2.3a	(2,132.8)	(1,999.2)
		(1,741.8)	(1,884.3)
Net debt (adjusted)			
Cash	2.3a	391.0	114.9
Debt (adjusted)*		(2,132.8)	(1,209.3)
		(1,741.8)	(1,094.4)

* 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 in 2019).

EBITDA : Net debt (adjusted)

EBITDA	7	171.8	161.0
Net debt (adjusted)	7	(1,741.8)	(1,094.4)
Ratio		10.1	6.8

Interest cover (Unite share)

EBIT	7	163.4	153.4
Net financing costs	2.2a	(56.1)	(34.7)
Interest on lease liability/operating lease rentals	2.2a	(8.8)	(9.2)
Total interest		(64.9)	(43.9)
Ratio		2.5	3.5

Reconciliation: IFRS loss before tax to EPRA earnings

	Note	2020 £m	2019 £m
IFRS loss before tax		(120.1)	(101.2)
Net valuation losses/(gains) on investment property (owned)	2.2b	165.7	(213.1)
Property disposals (owned)	2.2b	1.9	5.8
Net valuation losses on investment property (leased)	2.2b	11.2	8.1
Property disposals (leased)	2.2b	–	1.1
Impairment of goodwill	2.2b	–	384.1
Integration/acquisition costs	2.2b	9.2	22.8
Amortisation of fair value of debt recognised on acquisition	2.2b	(4.3)	(0.4)
Changes in valuation of interest rate swaps	2.2b	5.8	2.7
Swap cancellation and loan break costs	2.2b	30.1	2.7
Minority interest and tax		(2.2)	(2.0)
EPRA earnings		97.3	110.6

EPRA Performance Measures

Summary of EPRA performance measures

	Note	2020 £m	2019 £m	2020 pps	2019 pps
EPRA earnings		97.3	110.6	25.5p	39.1p
EPRA NTA		3,271.0	3,091.4	818p	847p
EPRA NRV		3,601.9	3,394.5	901p	930p
EPRA NDV		3,180.7	3,012.6	796p	826p
EPRA Net initial yield				4.4%	5.7%
EPRA Vacancy rate				12.9%	1.4%
EPRA Cost ratio (including vacancy costs)				40.0%	31.1%
EPRA Cost ratio (excluding vacancy costs)				36.2%	30.6%

EPRA like-for-like rental income

£m	Properties owned throughout the period	Development property	Acquisitions and disposals	Total EPRA earnings
2020				
Rental income	144.9	12.4	105.9	263.2
Property operating expenses	(43.6)	(3.9)	(35.4)	(82.9)
Net rental income	101.3	8.5	70.5	180.3
2019				
Rental income	166.4	20.5	27.0	213.9
Property operating expenses	(42.5)	(4.5)	(6.1)	(53.1)
Net rental income	123.9	16.0	20.9	160.8
Like-for-like gross rental income	(12.9%)			
Like-for-like net rental income	(18.2%)			

EPRA Vacancy Rate

	2020 £m	2019 £m
Estimated rental value of vacant space	31.3	3.5
Estimated rental value of the whole portfolio	242.4	247.1
EPRA Vacancy Rate	12.9%	1.4%

EPRA Net Initial Yield

	2020	2019
Net operating income (£m)*	197.7	242.7
Property market value (£m)	4,893.2	4,702.4
Notional acquisition costs (£m)	256.0	237.7
	5,149.2	4,940.1
Net initial yield (%)	3.8%	4.9%

*Net operating income calculated by annualising rental income for December.

EPRA Cost ratio

	2020 £m	2019 £m
Property operating expenses	61.9	33.0
Operating expenses	30.1	21.1
Development/pre contract costs	2.2	1.5
Unallocated expenses*	3.2	4.4
	97.4	60.0
Share of JV property operating expenses	21.0	20.1
Share of JV operating expenses	0.8	0.7
Share of JV unallocated expenses*	0.4	–

	119.6	80.8
Less: Joint venture management fees	(14.0)	(14.4)
Total costs (A)	105.6	66.4
Group vacant property costs**	(7.4)	(0.7)
Share of JV vacant property costs**	(2.5)	(0.4)
Total costs excluding vacant property costs (B)	95.7	65.3
Rental income	196.1	134.1
Share of JV rental income	67.1	79.8
Total gross rental income (C)	263.2	213.9
Total EPRA cost ratio (including vacant property costs) (A)/(C)	40%	31%
Total EPRA cost ratio (excluding vacant property costs) (B)/(C)	36%	31%

* Excludes amounts in respect of the LSAV performance fee.

** Vacant property costs reflect the per bed share of operating expenses allocated to vacant beds.

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	3,288.7	(130.9)	(3.9%)
USAF	616.7	(25.1)	(4.0%)
LSAV	661.8	(14.9)	(2.2%)
Rental properties	4,567.2	(170.9)	(3.6%)
Leased properties	101.8		
2020/21 development completions	326.0		
Properties under development	187.2		
Properties held throughout the year	5,182.2		
Total property portfolio	5,182.2		

EPRA Yield movement

	NOI yield	Yield movement (bps)		
	%	H1	H2	FY
Wholly owned	5.0%	–	(4)	(4)
USAF	5.3%	–	–	–
LSAV	4.4%	–	(1)	(1)
Rental properties (Unite share)	5.0%	–	(3)	(3)

Property related capital expenditure

	2020			2019		
	Wholly owned	Share of JVs	Group share	Wholly owned	Share of JVs	Group share
Acquisitions	–	–	–	–	51.0	51.0
Developments	87.6	–	87.6	208.2	6.5	214.7
Rental properties	25.0	22.9	47.9	6.5	8.7	15.2
Other	4.6	–	4.6	9.1	–	9.1
Total property related capex	117.2	22.9	140.1	223.8	66.2	290.0

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.

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

EPRA NAV
EPRA NAV includes all property at market value but excludes the mark to market of financial instruments and deferred tax. EPRA NAV provides a consistent measure of NAV on a going concern basis.

EPRA net asset value per share
The diluted NAV per share figure based on EPRA NAV.

EPRA 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 NAV on a going concern basis.

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

EPRA Net Reinstatement Value (NRV)
EPRA NRV includes all property at market value but excludes the mark to market of financial instruments, deferred tax and real estate transfer tax. EPRA NRV assumes that entities never sell assets and represents the value required to rebuild the entity.

EPRA Net Disposal Value (NDV)
EPRA NDV includes all property at market value, excludes the mark to market of financial instruments but includes the fair value of fixed interest rate debt and the carrying value of intangible assets. EPRA NDV represents the shareholders' value in a disposal scenario.

EPRA Net Initial Yield (NIY)
The net operating income generated by a property expressed as a percentage of its value, taking into account notional acquisition costs.

EPRA Vacancy Rate
The ratio of the estimated market rental value of vacant spaces against the estimated market rental value of the entire property portfolio (including vacant spaces).

EPRA Cost Ratio
The ratio of net overheads and operating expenses against gross rental income.

ESG
Environmental, Social and Governance.

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

Gross asset value (GAV)
Rental properties, plus leased properties and development properties. GAV is reported on a fair value basis.

Gross financing costs
All interest paid by the Group, including those capitalised into developments and operating lease rentals. It includes all receipts and payments under interest rate swaps whether they are effective or ineffective under IFRS.

The Group
Wholly owned balances plus Unite's interests relating to USAF and LSAV.

Group debt
Wholly owned borrowings plus Unite's share of borrowings attributable to USAF and LSAV.

Interest cover ratio (ICR)
Calculated as EBIT divided by the sum of net financing costs and IFRS 16 lease liability interest costs.

Lease
Properties which are leased to Universities for a number of years.

Like-for-like rental growth
Like-for-like rental growth is the growth in gross rental income on properties owned throughout the current and previous years under review.

Loan to value (LTV)
Net debt as a proportion of the carrying value of the total property portfolio, excluding balances recognised in respect of leased properties under IFRS 16.

LSAV
The London Student Accommodation Joint Venture (LSAV) is a joint venture between Unite and GIC, in which both hold a 50% stake. LSAV has a maturity date of September 2022 and ASV has a maturity date of January 2027.

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 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
Agreements at properties where Universities have entered into a contract to reserve rooms for their students, usually guaranteeing occupancy. The Universities usually either nominate students to live in the building and Unite enters into short-hold tenancies with the students or the University enters into a contract with Unite and makes payment directly to Unite.

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.

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 NTA per share (previously NAV per share) plus dividends paid, expressed as a percentage of EPRA NTA per share (previously 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

Unite Group

Executive Team
Richard Smith
Chief Executive Officer

Joe Lister
Chief Financial Officer

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