NOTES TO THE FINANCIAL STATEMENTS

Section 1: Basis of preparation

This section lays out the Group's accounting policies that relate to the financial statements as a whole. Where an accounting policy is specific to a particular note to the financial statements, the policy is described in the note to which it relates and has been clearly identified in a box.

Basis of consolidation

The financial statements consolidate those of The Unite Group PLC (the Company) and its subsidiaries (together referred to as the Group) and include the Group's interests in jointly controlled entities. The parent company financial statements present information about the Company as a separate entity and not as a group.

Subsidiaries are those entities controlled by the Company. Control exists when the Company has an existing right that gives it the current ability to direct the relevant activities of the subsidiary, has exposure or right to variable returns from its involvement in the subsidiary and has the ability to use its power to affect its returns. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances and transactions, and any unrealised gains and losses arising from intra-group transactions, such as property disposals and management fees, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with joint ventures are eliminated to the extent of the Group's retained interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains except where the loss provides evidence of a reduction in the net realisable value of current assets or an impairment in the value of non-current assets.

Both the parent company financial statements and the Group financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU (Adopted IFRS) and approved by the Directors. On publishing the parent company financial statements here together with the Group financial statements, the Company is taking advantage of the exemption in s408 of the Companies Act 2006 not to present its individual income statement and related notes.

The accounting policies have been applied consistently to all periods presented in these consolidated financial statements.

The Company is a public company limited by shares and is registered in England, United Kingdom, where it is also domiciled.

Measurement convention

The financial statements are prepared on the historical cost basis except for investment property (owned), investment property (leased), investment property (under development), investments in subsidiaries and interest rate swaps all of which are stated at their fair value.

Going concern

In determining the appropriate basis of preparation of the financial statements, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future. At 31 December 2020 The Group had £338 million 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. Our response to Covid-19 is described on pages 2-3 and in the Operations Review.

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.

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

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

Other standards

The following new or amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements:

- IFRS 3 (amendments) 'Definition of a business'
- IFRS 10 and IAS 28 (amendments) 'Sale or contribution of assets between an investor and its associate or joint venture'
- IFRS 17 'Insurance contracts'
- IAS 1 and IAS 8 (amendments) 'Definition of material'
- IAS 1 (amendments) 'Classification of liabilities as current or non-current'
- IFRS 9, IAS 39 and IFRS 7 (amendments) 'Interest rate benchmark reform'
- IFRS 16 (amendments) 'Covid-19 related rent concessions'
- IFRS Standards (amendments) 'References to Conceptual Framework in IFRS Standards'
- IFRS Standards (annual improvements)

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Section 1: Basis of preparation continued

Critical accounting estimates and judgements

The Group's significant accounting polices are stated in the relevant notes to the Group financial statements.

The preparation of financial statements requires management to exercise judgement in applying the Group's accounting policies. It also requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenses.

Significant accounting judgements

The areas which involve a high degree of judgement or complexity in applying the accounting policies of the Group are explained in more detail in the accounting policy descriptions in the related notes to the financial statements.

The areas where accounting judgements have the most significant impact on the financial statements of the Group are as follows:

- valuation of investment property and investment property under development (note 3.1)
- classification of joint venture vehicles (note 3.4)

Estimation uncertainty

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and assumptions are reviewed on an ongoing basis with revisions recognised in the period in which the estimates are revised and in any future periods affected. In 2020 these revisions include the impact of Covid-19.

The area involving the most sensitive estimates and assumptions that are significant to the financial statements is set out below and in more detail in the related note:

- valuation of investment property and investment property under development (note 3.1)

Section 2: Results for the year

This section focuses on the results and performance of the Group and provides a reconciliation between the primary statements and EPRA performance measures. On the following pages you will find disclosures explaining the Group's results for the year, segmental information, taxation, earnings and net asset value per share. 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 the most relevant new NAV measure for the Group, and this will be our primary NAV measure going forward. EPRA NTA adjusts EPRA NAV, our existing key NAV measure, by excluding intangible assets. EPRA also introduced EPRA Net Reinstatement Value (NRV) and EPRA Net Disposal Value (NDV) metrics as set out in note 2.3c. The Group uses EPRA earnings and NAV and NTA movement as key comparable indicators across other real estate companies in Europe.

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 way in which the Operations segment adds value to the business is set out in the Operations review on pages 17 to 21. 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Section 2: Results for the year continued

2.2a) EPRA earnings

2020

		Share of joint ventures		Group on EPRA basis
	Unite £m	USAF £m	LSAV £m	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

		Share of joint ventures		Group on EPRA basis
	Unite £m	USAF £m	LSAV £m	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	3.4b	**41.5**	(58.3)
Share of joint venture property disposals	3.4b	**–**	(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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Section 2: Results for the year continued

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.

The Group's Property business undertakes the acquisition and development of properties. The way in which the Property segment adds value to the business is set out in the Property review on pages 22 to 25.

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

		Share of JVs		
	Unite £m	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	Share of joint ventures 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	3.3b	**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	3.3b	**(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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Section 2: Results for the year continued

2.3 Net assets continued

2.3b) Movement in EPRA NTA during the year continued

2019

	Note	Unite £m	Share of joint ventures USAF £m	Share of joint ventures LSAV £m	Group on EPRA basis Total £m
Operations					
Operations segment result	2.2a	73.1	18.9	17.5	109.5
Add back amortisation of intangibles	3.3b	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	3.3b	(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**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Section 2: Results for the year continued

2.3 Net assets continued

2.3c) Reconciliation to IFRS continued

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
Net assets					
Basic NAV		**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

Accounting policies

The Group recognises revenue from the following major sources:

- Rental income
- Management and performance fees
- Acquisition fees

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of its service to a customer.

Rental income

Rental income comprises direct-lets to students and leases to Universities and commercial tenants. This revenue is recognised in the income statement over the length of the tenancy period as the Group provides the services to its customers. Included in the rental contract is the use of broadband facilities and room cleaning services. The Group does not offer these services as stand-alone products. Under IFRS 15 the Group does not consider these services to be individually material and has, consequently, bundled these obligations as a single contract. The transaction prices for rental income are explicitly stated in each contract. A contract liability can result from payments received in advance, until the date at which control is transferred to the customer and at that point the revenue begins to be recognised over the tenancy period. Lease incentives are sometimes recognised on commercial units; these are recognised as an integral part of the total rental income and spread over the term of the lease.

Management and performance fees

The Group acts as asset and property manager for USAF and LSAV and receives management fees in relation to these services. Revenue from these fees is recognised over time as the joint ventures simultaneously receive and consume benefits as the Group performs its management obligations. Detailed calculations in order to determine the transaction prices for these revenue streams are held within the joint venture agreements.

The Group is entitled to a USAF performance fee if the joint venture outperforms certain benchmarks. The Group recognises a USAF performance fee at a point in time in the year to which the fee relates. The Group initially assesses the probability of a fee being earned and its transaction price at half year and adjusts for any potential risks to receiving this income at year-end, when the achieved outturn is known. The USAF performance fee is settled within 12 months of the year to which the fee relates and the Group receives an enhanced equity interest in USAF as consideration for the performance fee.

The Group is entitled to a LSAV performance fee if the joint venture outperforms certain benchmarks over its life ending in 2022. The Group recognises a LSAV performance fee at an amount which is considered 'highly probable' to become due based upon estimates of the future performance of the joint venture; such estimates include future rental income and the discount rate (yield). Prior to the maturity of the joint venture, the Group pro-rates the total LSAV performance fee for the remaining life of the joint venture; at 31 December 2020, this was 80% based upon eight years of the joint venture's life. The amount which is considered 'highly probable' to become due is reassessed annually with reference to the latest performance of the joint venture and forecasts. The LSAV performance fee is settled at the end of the life of the joint venture in cash.

As per IFRS 15, the estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of revenue recognised will not occur when the uncertainty associated with the variable consideration is resolved. As the performance fee is variable and dependent on meeting specific performance targets it is not reasonably possible to determine the future contractual income relating to this revenue.

Acquisition fees

The Group receives acquisition fees from its joint venture partners. This revenue is linked to the acquisition of land or property and is therefore recognised at the point in time that control of the asset is transferred to the joint venture. The transaction price for this revenue stream is stipulated in the joint venture agreement as a percentage of the value of the acquisition.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Section 2: Results for the year continued

2.4 Revenue and costs continued

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.

Accounting policies

The tax charge for the year is recognised in the income statement and the statement of comprehensive income, according to the accounting treatment of the related transaction. The tax charge comprises both current and deferred tax.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable in respect of previous years. The current tax charge is based on tax rates that are enacted or substantively enacted at the year-end.

Deferred tax arises due to certain temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and those for taxation purposes. Temporary differences relating to investments in subsidiaries and joint ventures are not provided for to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities. The applicable deferred tax rate increased from 17% to 19% due to the enactment during the period of the Finance Act 2020, which cancelled the planned reduction in corporation tax to 17% from 1 April 2020. This rate change increased the deferred tax assets recognised at the year-end by £0.1 million.

As a REIT, rental profits and gains on disposal of investment properties and property rich investments are exempt from corporation tax. As a result, no deferred tax provision has been recognised at the balance sheet date in respect of property assets or units in USAF and LSAV.

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Section 2: Results for the year continued

2.5 Tax continued

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 £0.8 million 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.

Company

Deferred tax has not been recognised on temporary differences of £4.3 million (2019: £126.3 million) in respect of revaluation of subsidiaries and investment in joint ventures as it is considered unlikely that these investments will be divested.

The decrease in the unprovided deferred tax amount is primarily driven by the enactment of provisions contained in Finance Act 2019 that exempt gains arising in accounting periods beginning on or after 6 April 2019 on the disposal by a REIT of shares and other similar interests in entities that derive at least 75% of their value from land situated in the UK. These provisions exempt the majority of the Company's investments in subsidiaries from the charge to corporation tax.

2.6 Audit fees

During the year, the Group obtained the following services from the Company's auditor and its associates:

	2020 £m	2019 £m
Fees payable to the Group's auditors for the audit of the parent company and consolidated financial statements	**0.5**	0.4
Fees payable to the Group's auditors for other services to the Group:		
– Audit of the financial statements of subsidiaries	**0.1**	0.1
Total audit fees payable to the Group's auditors	**0.6**	**0.5**
Audit-related assurance services	**0.1**	0.1
Corporate finance services	**–**	1.9
Other services	**–**	–
Total non-audit fees	**0.1**	**2.0**

Non-audit fees in 2020 relate entirely to services provided in respect of the 2020 half year review. Non-audit fees in 2019 almost entirely related to Reporting Accountant services provided in respect of the acquisition of Liberty Living.

Details on the Company's policy on the use of the auditor for non-audit services is also set out in the Audit Committee Report on pages 109 to 114.

No services were provided pursuant to contingent fee arrangements.

Section 3: Asset management

The Group holds its property portfolio directly and through its joint ventures. The performance of the property portfolio, whether wholly owned or in joint ventures, is the key factor that drives net asset value (NAV), one of the Group's key performance indicators. The following pages provide disclosures about the Group's investments in property assets and joint ventures and their performance over the year.

3.1 Wholly owned property assets

The Group's wholly owned property portfolio is held in three groups on the balance sheet at the carrying values detailed below.

In the Group's EPRA 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Section 3: Asset management continued

3.1 Wholly owned property assets continued

Accounting policies

Investment property (owned) and investment property (under development)

Investment property (owned) and investment property (under development) are held at fair value.

The external valuation of property assets involves significant judgement and changes to the core assumptions: market conditions, rental income, occupancy and property management costs, could have a significant impact on the carrying value of these assets. Further details of the valuation process are included below.

Borrowing costs are capitalised if they are directly attributable to the acquisition and construction of a property asset. Capitalisation of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalisation of borrowing costs continues until the assets are substantially ready for their intended use but stops if development activities are suspended. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognised. The capitalisation rate is arrived at by reference to the actual rate payable on borrowings for development purposes or, with regard to that part of the development cost financed out of general borrowings, to the average rate. During the year the average capitalisation rate used was 2.8% (2019: 5.8%).

The recognition of acquisitions of investment property and land occurs on unconditional exchange of contracts, as this is the date when control passes to Unite. The recognition of disposals of investment property occurs on legal completion. In accordance with IFRS 15, revenue from the disposal of investment and other property is recognised at a point in time.

Investment property (leased)

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability (see note 4.6a) with respect to all lease arrangements in which it is the lessee. The assets are held at fair value in the balance sheet with changes in fair value taken to the income statement.

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Section 3: Asset management continued

3.1 Wholly owned property assets continued

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)	£164–£370	£267
			Estimated future rent increase (%)	2%–3%	3%
			Discount rate (yield) (%)	3.9%–5.0%	4.0%
Prime provincial – rental properties	**949.3**	Discounted cash flows	Net rental income (£ per week)	£140–£229	£169
			Estimated future rent increase (%)	2%–3%	3%
			Discount rate (yield) (%)	4.0%–6.2%	4.8%
Major provincial – rental properties	**1,255.8**	Discounted cash flows	Net rental income (£ per week)	£82–£167	£132
			Estimated future rent increase (%)	1%–3%	2%
			Discount rate (yield) (%)	4.7%–7.0%	5.7%
Other provincial – rental properties	**272.6**	Discounted cash flows	Net rental income (£ per week)	£87–£188	£136
			Estimated future rent increase (%)	1%–3%	2%
			Discount rate (yield) (%)	5.0%–13.8%	6.8%
London – development properties	**158.8**	Discounted cash flows	Estimated cost to complete (£m)	£84.9m–£147.9m	£114.9m
			Estimated future rent increase (%)	3%	3%
			Discount rate (yield) (%)	4.0%	4.0%
Prime provincial – development properties	**25.6**	Discounted cash flows	Estimated cost to complete (£m)	£19.1m–£65.3m	£40.8m
			Estimated future rent increase (%)	3%	3%
			Discount rate (yield) (%)	4.3%	4.3%
Major provincial – development properties	**2.8**	Discounted cash flows	Estimated cost to complete (£m)	£45.5m	£45.5m
			Estimated future rent increase (%)	3%	3%
			Discount rate (yield) (%)	–	–
	3,801.9				
Investment property (leased)	**101.8**	Discounted cash flows	Net rental income (£ per week)	£129–£185	£147
			Estimated future rent increase (%)	3%	3%
			Discount rate (yield) (%)	6.8%	6.8%
Fair value at 31 December 2020	**3,903.7**				

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Section 3: Asset management continued

3.1 Wholly owned property assets continued

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

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

Fair value sensitivity analysis

A decrease in net rental income or occupancy will result in a decrease in the fair value, whereas a decrease in the discount rate (yield) will result in an increase in fair value. There are inter-relationships between these rates as they are partially determined by market rate conditions.

Class of assets	Fair value at 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

Accounting policies

Inventories are shown at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses. All costs directly associated with the purchase and construction of a property, and all subsequent qualifying expenditure is capitalised.

	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 Right of use assets and other non-current assets

Accounting policies

Leased assets

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right of use asset and a corresponding lease liability (see note 4.6a) with respect to all lease arrangements in which it is the lessee. Right of use assets have been measured following the approach in IFRS 16.C8(b)(ii), whereby right of use assets are set equal to the lease liability, adjusted for prepaid or accrued lease payments. They are subsequently measured at this initial value less accumulated depreciation and impairment losses.

Property, plant and equipment

Other than land and buildings, property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see below). Land and buildings are stated at fair value on the same basis as investment properties. Property, plant and equipment mainly comprise leasehold improvements at the Group's head office and London office as well as computer hardware and software at these sites.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives. Freehold land is not depreciated. The estimated useful lives are as follows:

- Right of use assets — Shorter of lease and economic life
- Property, plant and equipment — 4–7 years

Intangible assets

Intangible assets predominantly comprise computer software which allows customers to book online and processes transactions within the sales cycle. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. The assets are amortised on a straight-line basis over four to seven years, being the estimated useful lives of the intangible assets, from the date they are available for use. Amortisation is charged to the income statement within operating expenses.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Section 3: Asset management continued

3.3a) Right of use assets

	2020			2019		
	Buildings £m	Other £m	Total £m	Buildings £m	Other £m	Total £m
Cost						
At 1 January	**5.8**	**0.8**	**6.6**	3.7	0.6	4.3
Additions	**–**	**0.6**	**0.6**	1.4	0.2	1.6
Acquired through business combination	**–**	**–**	**–**	0.7	–	0.7
At 31 December	**5.8**	**1.4**	**7.2**	5.8	0.8	6.6
Amortisation						
At 1 January	**(0.8)**	**(0.3)**	**(1.1)**	–	–	–
Amortisation charge for the year	**(1.4)**	**(0.4)**	**(1.8)**	(0.8)	(0.3)	(1.1)
At 31 December	**(2.2)**	**(0.7)**	**(2.9)**	(0.8)	(0.3)	(1.1)
Carrying value at 1 January	**5.0**	**0.5**	**5.5**	3.7	0.6	4.3
Carrying value at 31 December	**3.6**	**0.7**	**4.3**	**5.0**	**0.5**	**5.5**

The Group leases several assets including office equipment and vehicles. The average lease term is three years.

Approximately 42% of the leases expired in the current financial year (2019: 10%). The expired contracts were replaced by new leases for identical underlying assets. This resulted in additions to right of use assets of £0.6 million in 2020 (2019: £0.2 million).

The maturity analysis of lease liabilities is presented in note 4.6a.

3.3b) Other non-current assets

The Group's other non-current assets can be analysed as follows:

	2020			2019		
	Property, plant and equipment £m	Intangible assets £m	Total £m	Property, plant and equipment £m	Intangible assets £m	Total £m
Cost						
At 1 January	**11.4**	**59.1**	**70.5**	10.7	53.6	64.3
Additions	**0.7**	**2.7**	**3.4**	0.4	5.1	5.5
Acquired through business combination	**–**	**–**	**–**	0.3	0.4	0.7
At 31 December	**12.1**	**61.8**	**73.9**	11.4	59.1	70.5
Depreciation and amortisation						
At 1 January	**(8.1)**	**(36.4)**	**(44.5)**	(7.2)	(30.8)	(38.0)
Depreciation/amortisation charge for the year	**(1.1)**	**(6.4)**	**(7.5)**	(0.9)	(5.6)	(6.5)
At 31 December	**(9.2)**	**(42.8)**	**(52.0)**	(8.1)	(36.4)	(44.5)
Carrying value at 1 January	**3.3**	**22.7**	**26.0**	10.2	22.8	33.0
Carrying amount at 31 December	**2.9**	**19.0**	**21.9**	**3.3**	**22.7**	**26.0**

Intangible assets include £1.1 million (2019: £3.5 million) of assets not being amortised as they are not yet ready for use. Property, plant and equipment assets include £0.1 million (2019: £0.8 million) of assets not being depreciated as they are not ready for use. At 31 December 2020 the Group had capital commitments of £0.1 million (2019: £0.5 million) relating to intangible assets and £0.3 million (2019: £nil) relating to Property, plant and equipment.

3.4 Investments in joint ventures (Group)

Accounting policies

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement. The consolidated financial statements include joint ventures initially at cost subsequently, increased or decreased by the Group's share of total gains and losses of joint ventures on an equity basis. Interest free joint venture investment loans are initially recorded at fair value – the difference between the nominal amount and fair value being treated as an investment in the joint venture. The implied discount is amortised over the contracted life of the investment loan.

The Directors consider that the agreements integral to its joint ventures result in the Group having joint control over the key matters required to operate the joint ventures. A significant degree of judgement is exercised in this assessment due to the complexity of the contractual arrangements.

USAF and LSAV are jointly owned entities that are accounted for as joint ventures. Due to the complexity of the contractual arrangements and Unite's role as manager of the joint venture vehicles, the assessment of joint control following changes to accounting standards (IFRS 10) involves judgements around a number of significant factors. These factors include how Unite as fund manager has the ability to direct relevant activities such as acquisitions, disposals, capital expenditure for refurbishments and funding whether through debt or equity. This assessment for USAF is complex because of the number of unitholders and how their rights are represented through an Advisory Committee. For some of the activities it is not clear who has definitive control of the activities: in some scenarios the Group can control, in others the Advisory Committee. However, for the activities which are considered to have the greatest impact on the returns of USAF, acquisitions and equity financing, it has been determined that the Group and the Advisory Committee has joint control in directing these activities and that on balance, it is appropriate to account for USAF as a joint venture. The assessment for LSAV is more straightforward because the Group and GIC each own 50% of the joint venture and there is therefore much clearer evidence that control over the key activities is shared by the two parties.

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Section 3: Asset management continued

3.4 Investments in joint ventures (Group) continued

3.4a) 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.

3.4b) 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**

3.4c) 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).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Section 3: Asset management continued

3.4 Investments in joint ventures (Group) continued

3.4c) Transactions with joint ventures continued

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**

3.5 Investments in subsidiaries (Company)

Accounting policies

In the financial statements of the Company, investments in subsidiaries are held at fair value. Changes in fair value are recognised in Other comprehensive income and presented in the revaluation reserve in equity.

Carrying value of investment in subsidiaries

The movements in the Company's interest in unlisted subsidiaries and joint ventures during the year are as follows:

	Investment in subsidiaries	
	2020 £m	2019 £m
At 1 January	**2,213.7**	1,189.4
Additions	**–**	1,397.1
Revaluation	**(387.0)**	(372.8)
At 31 December	**1,826.7**	**2,213.7**

The carrying value of investment in subsidiaries has been calculated using the equity attributable to the owners of the parent company from the consolidated balance sheet adjusted for the fair value of fixed rate loans. This includes investment property, investment property under development and swaps at a fair value calculated by a third party expert. All investment properties and investment properties under development are classified as Level 3 in the IFRS 13 fair value hierarchy and have been discussed on page 190. The fixed rate loans range between Level 1 and Level 2 in the IFRS 13 fair value hierarchy and have been discussed further on page 200.

A full list of the Company's subsidiaries and joint ventures can be found in note 9.

Section 4: Funding

The Group finances its development and investment activities through a mixture of retained earnings, borrowings and equity. The Group continuously monitors its financing arrangements to manage its gearing.

Interest rate swaps are used to manage the Group's risk to fluctuations in interest rate movements.

The following pages provide disclosures about the Group's funding position, including borrowings, gearing and hedging instruments; its exposure to market risks; and its capital management policies.

The Merger reserve arose on the acquisition of the Unilodge portfolio in June 2001.

Accounting policies

Financial instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value, less any attributable transaction costs, and subsequently at amortised cost.

No financial assets or liabilities have been classified as either fair value through profit or loss or fair value through other comprehensive income.

The accounting policies applicable to specific financial assets and liabilities, and financing costs, are set out in the relevant notes.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on trade receivables.

The accounting policy is set out in full in note 5.2.

Derivative financial instruments

The Group enters into derivative financial instruments to manage its exposure to interest rate risk. Further details of derivative financial instruments, including the relevant accounting policies, are disclosed in notes 4.2 and 4.5.

4.1 Borrowings

Accounting policies

Interest bearing borrowings are recognised initially at fair value, less attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

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

	Group – Carrying value		Company – Carrying value	
	2020 £m	2019 £m	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	**795.9**	–
In more than two years but not more than five years	**297.3**	964.7	**–**	172.2
In more than five years	**568.6**	567.6	**270.7**	270.0
	1,661.8	1,533.8	**1,066.6**	442.2
Unamortised fair value of debt recognised on acquisition	**28.1**	32.4	**–**	–
Total borrowings	**1,689.9**	**1,567.6**	**1,066.6**	**442.2**

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Section 4: Funding continued

4.1 Borrowings continued

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.

Accounting policies

Interest rate swaps are recognised initially and subsequently at fair value, with mark to market movements recognised in the income statement unless cash flow hedge accounting is applied.

The Group designates certain interest rate derivatives as hedging instruments. The interest rate swap is designated as the hedging instrument in a hedge of the variability in cash flows attributable to the interest risk of borrowings. At inception the Group documents the relationship between the hedging instrument and the hedged item, along with the risk management objectives and its strategy for undertaking various hedge transactions.

Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

The effective portion of changes in fair value of the interest rate swap is recognised in Other comprehensive income and presented under the heading of Hedging reserve in equity, limited to the cumulative change in fair value of the hedged item from inception of the hedge. Any ineffective portion of changes in the fair value of the interest rate swap is recognised immediately in profit or loss.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. If the Group expects that some or all of the loss accumulated in the hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria. This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in Other comprehensive income and accumulated in the hedging reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in the hedging reserve is reclassified immediately to profit or loss.

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Section 4: Funding continued

4.3 Net financing costs

Accounting policies

Net financing costs comprise interest payable on borrowings and interest on lease liabilities, less interest receivable on funds invested (both calculated using the effective interest rate method) and gains and losses on hedging instruments that are recognised in the income statement.

Recognised in the income statement:	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 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risks (primarily interest rate risk), credit risk and liquidity risk. The Group's treasury policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Details on credit risk can be found in note 5.3.

4.5a) Interest rate risk

The Group is exposed to interest rate risk because entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings, and by the use of interest rate swap contracts and forward interest rate contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite; ensuring the most cost-effective hedging strategies are applied.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

The Group holds its debt finance under both floating and fixed rate arrangements. The majority of floating debt is hedged through the use of interest rate swap agreements. The Group's policy guideline has been to hedge 75%–95% of the Group's exposure for terms of approximately two to ten years.

At 31 December 2020, after taking account of interest rate swaps, 70% (2019: 93%) of the Group's borrowing was held at fixed rates. Excluding the £250.0 million (2019: £342.3 million) of swaps and caps the fixed investment borrowing is at an average rate of 3.2% (2019: 3.5%) for an average period of 6.8 years (2019: 6.9 years), including all debt with current or forward starting swaps the average rate is 3.2% (2019: 3.2%).

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates upon the issuance of forecast fixed rate debt held and the cash flow exposures on the issued variable rate debt held. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the curves at the reporting date and is disclosed below. The average interest rate is based on the outstanding balances at the end of the financial year.

As the critical terms of the hedge contracts and their corresponding hedged items are the same, the Group performs a qualitative assessment of effectiveness and it is expected that the value of the interest rate swap contracts and the value of the corresponding hedged items will systematically change in opposite direction in response to movements in the underlying interest rates. The main source of hedge ineffectiveness in these hedge relationships is the effect of the counterparty and the Group's own credit risk on the fair value of the hedge contracts, which is not reflected in the fair value of the hedged item attributable to the change in interest rates. No other sources of ineffectiveness emerged from these hedging relationships.

The Group holds interest rate swaps and caps at 31 December 2020 against £250.0 million (2019: £342.3 million) of the Group's borrowings. The maturity of these swaps and the applicable interest rates are shown below, in line with disclosure under IFRS 7:24B(b). The following tables detail various information regarding interest rate swap contracts outstanding at the end of the reporting period and their related hedged items.

Hedging instruments

	Applicable interest rates		Nominal amount hedged		Carrying amount of hedge		Change in fair value	
	2020 %	2019 %	2020 £m	2019 £m	2020 £m	2019 £m	2020 £m	2019 £m
Within one year	**1.6**	–	**–**	–	**(5.8)**	–	**(5.8)**	–
Between one and two years	**0.1**	–	**250.0**	–	**(4.2)**	–	**(4.2)**	–
Between two and five years	**–**	0.9	**–**	342.3	**–**	(2.5)	**2.5**	(2.4)
More than five years	**1.6**	1.6	**50.0**	100.0	**(13.6)**	(5.1)	**(8.5)**	(5.1)

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Section 4: Funding continued

4.5 Financial risk factors continued

4.5a) Interest rate risk continued

Hedged items

	Nominal amount		Change in value		Hedging reserve – continuing		Hedging reserve – discontinued*	
	2020 £m	2019 £m	2020 £m	2019 £m	2020 £m	2019 £m	2020 £m	2019 £m
Variable rate borrowings	**800.0**	445.0	**–**	–	**(15.8)**	(5.5)	**1.8**	2.0

* Balance in cash flow hedging reserve representing the unamortised value of the realised swap gain from hedging relationship for which hedge accounting is no longer applied.

The following table details the effectiveness of the hedging relationship and the amounts reclassified from hedging reserve to profit or loss:

	Losses in OCI		Hedge ineffectiveness			Reclassified to P&L – discontinued		Reclassified to P&L – continuing		
	2020 £m	2019 £m	2020 £m	2019 £m	Line item in P&L	2020 £m	2019 £m	2020 £m	2019 £m	Line item in P&L
Variable rate borrowings	**(12.8)**	(4.8)	**(3.3)**	(2.7)	Other gains and losses	**2.3**	0.2	**–**	–	Mark to market movements on interest rate swaps

The interest rate swaps settle on a monthly basis. The floating rate on the interest rate swaps is one-month LIBOR. The Group will settle the difference between the fixed and floating interest rate on a net basis.

All interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges to reduce the Group's cash flow exposure resulting from variable interest rates on borrowings. The interest rate swaps and the interest payments on the loan occur simultaneously and the amount accumulated in equity is reclassified to profit or loss over the period that the floating rate interest payments on debt affect profit or loss.

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivative and non-derivative instruments as at 31 December 2020. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year. A 1% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1% higher and all other variables were held constant the Group's loss for the year ended 31 December 2020 would increase by £8.0 million (2019: £nil). This is mainly attributable to the Group's reduced proportion of hedging. The Group's sensitivity to interest rates has increased during the year mainly due to the lower proportion of debt hedged.

Phase 1 IBOR reform

At 31 December 2020 the Group had £800 million of floating rate debt that fixes on the basis of LIBOR together with related derivative hedges fixing on the same basis with a notional value of £300 million. The Group has entered discussions with the lenders to manage the transition of the debt and hedges to alternative benchmark rates during 2021, although exact timing is uncertain. The debt will transition to the risk free rate coterminously with the related hedge instruments, and management do not anticipate any significant impact on the existing hedging arrangements reported at year-end as a result of the transition.

4.5b) Credit risk on financial instruments

In order to minimise credit risk, the Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and investments in these instruments, where the counterparties have minimum A- credit rating, are considered to have low credit risk for the purpose of impairment assessment. The credit rating information is supplied by independent rating agencies where available and, if not available, the Group uses other publicly available financial information including CDS price and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties in line with Board policy.

Before accepting any new customer, the finance team uses external credit ratings to assess the potential customer's credit quality and defines credit limits by customer. Monitoring procedures are also in place to ensure that follow-up action is taken when ratings deteriorate. The Group does not hold any credit enhancements to cover its credit risks associated with its financial assets.

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable;

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account collateral held by the Group).

Details of the credit quality of the Group's financial assets as well as the Group's maximum exposure to credit risk by credit risk rating grades are set out on note 5.3.

4.5c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. Details of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk are set out below.

For development activities, the Group has a policy of raising substantially the full amount of equity required for each development before drawing debt against the development. The funding requirements of developments are therefore secured at the outset of works.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

The contractual maturity is based on the earliest date on which the Group may be required to pay.

2020

	Weighted average effective interest rate %	Less than 1 month £m	1–3 months £m	3 months – 1 year £m	1–5 years £m	5+ years £m	Total £m	Carrying amount £m
Variable interest rate instruments	**1.7**	**–**	**–**	**–**	**800.0**	**–**	**800.0**	**800.0**
Fixed interest rate instruments	**3.2**	**–**	**–**	**–**	**300.0**	**575.0**	**875.0**	**875.0**
Lease liabilities	**4.2**	**0.4**	**0.7**	**3.3**	**23.0**	**73.7**	**101.1**	**101.1**
Trade and other payables	**n/a**	**–**	**141.3**	**–**	**–**	**–**	**141.3**	**141.3**
Total		**0.4**	**142.0**	**3.3**	**1,123.0**	**648.7**	**1,917.4**	**1,917.4**

2019

	Weighted average effective interest rate %	Less than 1 month £m	1–3 months £m	3 months – 1 year £m	1–5 years £m	5+ years £m	Total £m	Carrying amount £m
Variable interest rate instruments	2.3	–	–	–	445.0	–	445.0	445.0
Fixed interest rate instruments	3.5	–	–	–	231.9	875.0	1,106.9	1,106.9
Lease liabilities	4.2	0.3	0.6	3.0	20.4	80.5	104.8	104.8
Trade and other payables	n/a	–	234.7	–	–	–	234.7	234.7
Total		**0.3**	**235.3**	**3.0**	**697.3**	**955.5**	**1,891.4**	**1,891.4**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Section 4: Funding continued

4.5 Financial risk factors continued

4.5c) Liquidity risk continued

The Group has access to financing facilities as described below, of which £60.0 million were unused at the reporting date (2019: £315.0 million). The Group expects to meet its other obligations from operating cash flows.

	2020 £m	2019 £m
Unsecured bank overdraft facility, reviewed annually and payable at call:		
– amount used	**–**	–
– amount unused	**10.0**	10.0
	10.0	**10.0**
Unsecured committed bank loan facilities which may be extended by mutual agreement:		
– amount used	**500.0**	195.0
– amount unused	**50.0**	305.0
	550.0	**500.0**

4.5d) 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.

	2020		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.

	2020		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.

	2020		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 Leases

4.6a) Lease liabilities

Accounting policies

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right of use asset (see note 3.1a) and a corresponding lease liability with respect to all lease arrangements in which it is the lessee.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The lease liability is presented as a separate line in the consolidated balance sheet.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability whenever:

- The lease term has changed, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did not make any such adjustments during the period presented.

Lease liabilities	2020 £m	2019 £m
Analysed as:		
Non-current	**96.7**	100.9
Current	**4.4**	3.9
Total lease liability	**101.1**	**104.8**
Lease liability maturity analysis		
Year 1	**4.4**	3.9
Year 2	**4.8**	4.4
Year 3	**5.4**	4.6
Year 4	**6.2**	5.3
Year 5	**6.6**	6.1
Onwards	**73.7**	80.5
Total	**101.1**	**104.8**

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Section 4: Funding continued

4.6 Leases continued

4.6b) Lease receivables

The Group accounts for its tenancy contracts offered to commercial and individual tenants as operating leases.

Operating lease contracts with Universities contain RPI uplifts and market review clauses.

The lessee does not have an option to purchase the property at the expiry of the lease period.

Maturity analysis of operating lease receivables

The future minimum lease payments receivable under non-cancellable operating leases are as follows:

	2020 £m	2019 £m
Less than one year	**169.8**	196.3
Between one and five years	**296.7**	241.3
More than five years	**363.0**	359.3
Total	**829.5**	**796.9**

4.7 Capital management

The capital structure of the Group consists of shareholders' equity and adjusted net debt, including cash held on deposit. The Group's equity is analysed into its various components in the Statement of Changes in Equity. The components and calculation of adjusted net debt is set out in note 4.4. Capital is managed so as to continue as a going concern and to promote the long-term success of the business and to maintain sustainable returns for shareholders and joint venture partners.

The Group uses a number of key metrics to manage its capital structure:

- adjusted net debt (note 4.4)
- adjusted gearing (note 4.4) LTV (note 2.3a)
- weighted average cost of investment debt (note 4.5a)

In order to manage levels of adjusted gearing over the medium term, the Group seeks to deliver NAV growth and to recycle capital invested in lower performing assets into new assets and property developments. £9.8 million of property assets were sold in 2020 and we plan to sell £150–£200 million of property during 2021. The Group targets a yield on cost of approximately 7% from investments in its development and University partnerships pipeline. The Group does not commit to developing new sites until sufficient equity and funding to fulfil the full cost of the development is secure.

The Board monitors the ability of the Group to pay dividends out of available cash and distributable profits. Based on the assumption that no shareholders take up the scrip dividend, the full year dividend will be covered by operating cash flows. The full year dividend is expected to be £50.8 million compared to operating cash flow of £57.3 million.

4.8 Equity

Accounting policies

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction, net of tax, in equity from the proceeds. Share issue costs incurred directly in connection with a business combination are deducted from the proceeds of the issue.

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

	2020			2019		
Called up, allotted and fully paid ordinary shares of £0.25p each	**No. of shares**	**Ordinary shares £m**	**Share Premium £m**	**No. of shares**	**Ordinary shares £m**	**Share Premium £m**
At 1 January	**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.

4.9 Dividends

Accounting policies

Dividends are recognised through equity on the earlier of their approval by the Company's shareholders or their payment.

During the year, the Company 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Section 5: Working capital

This section focuses on how the Group generates its operating cash flows. Careful management of working capital is vital to ensure that the Group can meet its trading and financing obligations within its ordinary operating cycle.

On the following pages you will find disclosures around the Group's cash position and how cash is generated from the Group's trading activities, and disclosures around trade receivables and payables.

Accounting policies

Cash and cash equivalents comprise cash balances and call deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

5.1 Cash and cash equivalents

The Group's cash position at 31 December 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:

		Group		Company	
	Note £m	2020 £m	2019 £m	2020 £m	2019 £m
Loss for the year		**(122.2)**	(87.6)	**(118.8)**	(139.9)
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	6.1	**1.7**	2.2	**–**	–
Dividends received		**–**	–	**(300.0)**	(276.0)
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	**–**	–	**387.0**	372.9
Net finance costs excluding interest on lease liabilities	4.3	**45.1**	18.3	**26.7**	13.9
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	**1.5**	–
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)	3.4b	**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**	**(3.6)**	**(28.5)**
(Increase)/decrease in trade and other receivables		**(0.3)**	(1.6)	**(0.1)**	0.1
(Increase) in inventories		**(4.5)**	(1.7)	**–**	–
(Decrease)/increase in trade and other payables		**(53.3)**	(21.3)	**3.0**	25.9
Cash flows from operating activities		**74.6**	**80.7**	**(0.7)**	**(2.5)**
Tax paid		**(1.3)**	(2.2)	**–**	–
Net cash flows from operating activities		**73.3**	**78.5**	**(0.7)**	**(2.5)**

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 Trade and other receivables

Accounting policies

On the basis that trade receivables meet the business model and cash flow characteristics tests, they are initially recognised at transaction price and then subsequently measured at amortised cost.

The Group applies the IFRS 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component.

In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due and also according to whether the tenant is a commercial organisation (including Universities) or an individual student.

The expected loss rates are based on the payment profile for sales by academic year as well as the corresponding historical credit losses during the period. The historical rate are adjusted to reflect any current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding, however given the short period exposed to credit risk, the impact of macroeconomic factors has not been considered significant within the reporting period.

Trade receivables are written off (ie derecognised) when there is no reasonable expectation of recovery. Failure to make payments within a reasonable period from the invoice date and failure to engage with the Group on alternative payment arrangements, amongst others are considered indicators of no reasonable expectation of recovery.

Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Trade and other receivables can be analysed as follows; all trade and other receivables are current.

	Group		Company	
	2020 £m	2019 £m	2020 £m	2019 £m
Trade receivables	**16.4**	30.5	**–**	–
Amounts due from Group undertakings (note 5.6)	**–**	–	**2,385.9**	1,208.0
Amounts due from joint ventures	**25.2**	18.7	**–**	–
LSAV performance fee	**22.8**	11.4	**–**	–
Prepayments and accrued income	**24.5**	20.0	**–**	–
Other receivables	**15.1**	6.5	**0.2**	0.1
Trade and other receivables	**104.0**	**87.1**	**2,386.1**	**1,208.1**

The Group offers tenancy contracts to commercial (Universities and retail unit tenants) and individual tenants based on the academic year. The Group monitors and manages the recoverability of its receivables based on the academic year to which the amounts relate. Rental income is payable immediately, therefore all receivables relating to tenants are past the payment due date.

We do not anticipate there to be any expected credit loss on amounts receivable from joint ventures as these remain highly profitable.

Details of amounts due from Group undertakings to the Company are disclosed in note 5.6.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Section 5: Working capital continued

5.2 Trade and other receivables continued

2020

		Ageing by academic year		
	Total £m	2020/21 £m	2019/20 £m	Prior years £m
Rental debtors				
Commercial tenants (past due and impaired)	**1.4**	**1.0**	**0.3**	**0.1**
Individual tenants (past due and impaired)	**27.2**	**19.4**	**5.0**	**2.8**
Expected credit loss carried	**(12.2)**	**(4.6)**	**(5.3)**	**(2.3)**
Trade receivables	**16.4**	**15.8**	**–**	**0.6**

2019

		Ageing by academic year		
	Total £m	2019/20 £m	2018/19 £m	Prior years £m
Rental debtors				
Commercial tenants (past due and impaired)	0.4	0.3	0.1	–
Individual tenants (past due and impaired)	34.0	29.6	1.8	2.6
Expected credit loss carried	(3.9)	–	(1.6)	(2.3)
Trade receivables	**30.5**	**29.9**	**0.3**	**0.3**

Movements in the Group's expected credit losses of trade receivables can be shown as follows:

	2020 £m	2019 £m
At 1 January	**3.9**	2.1
Acquired on acquisition	**–**	1.4
Expected credit loss charged to income statement in year	**8.6**	0.9
Receivables written off during the year (utilisation of expected credit loss)	**(0.3)**	(0.5)
At 31 December	**12.2**	**3.9**

The loss allowance for trade receivables is estimated as an amount equal to the lifetime expected credit loss (ECL). This loss has been estimated using the Group's history of loss for similar assets and takes into account current and forecast conditions.

The impact of credit losses is not considered significant in respect of the financial statements.

5.3 Credit risk

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

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

	Note	2020 £m	2019 £m
Cash	5.1	**338.3**	86.9
Trade receivables	5.2	**16.4**	30.5
Amounts due from joint ventures	5.2	**48.0**	30.1
		402.7	**147.5**

5.3a) 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.

5.3b) 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.

5.3c) Joint ventures

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

5.4 Trade and other payables

Accounting policies

Trade payables are initially recognised at the value of the invoice received from a supplier (fair value) and subsequently at amortised cost. The carrying value of trade payables is considered approximate to fair value.

Trade and other payables due within one year can be analysed as follows:

	Group		Company	
	2020 £m	2019 £m	2020 £m	2019 £m
Trade payables	**16.8**	15.7	**–**	–
Retentions on construction contracts for properties	**5.8**	5.8	**–**	–
Amounts due to Group undertakings	**–**	–	**0.6**	19.1
Amounts due to joint venture	**–**	12.0	**–**	–
Other payables and accrued expenses	**68.4**	110.2	**3.8**	7.0
Deferred income	**50.3**	90.7	**–**	–
Trade and other payables	**141.3**	**234.4**	**4.4**	**26.1**

Other payable and accrued expenses include £0.8 million (2019: £1.0 million) in relation to customer deposits. These will be returned at the end of the tenancy subject to the condition of the accommodation and payment of any outstanding amounts. Deferred income relates to rental income that has been collected in advance of it being recognised as revenue.

Included within accrued expenses is £nil of capital commitments, relating to investment properties under development (2019: £50.5 million).

5.5 Provisions

Accounting policies

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation and are discounted to present value where the effect is material.

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Section 5: Working capital continued

5.5 Provisions continued

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**

5.6 Transactions with other Group companies

During the year, the Company entered into various interest-free, repayable on demand loans with its subsidiaries, the aggregate of which are disclosed in the cash flow statement. In addition, the Company was charged by Unite Integrated Solutions plc for corporate costs of £3.1 million (2019: £3.2 million). As a result of these intercompany transactions, the following amounts were due from/to the Company's subsidiaries at the year end.

	2020 £m	2019 £m
Unite Holdings Limited	**141.5**	141.5
LDC (Holdings) Limited	**1,532.0**	1,066.5
Liberty Living Group plc	**712.4**	–
Amounts due from Group undertakings	**2,385.9**	**1,208.0**
Unite Integrated Solutions plc	**0.6**	19.1
Amounts due to Group undertakings	**0.6**	**19.1**

The Company has had a number of transactions with its joint ventures, which are disclosed in note 3.4c.

Section 6: Key management and employee benefits

The Group's greatest resource is its staff and it works hard to develop and retain its people. The remuneration policies in place are aimed to help recognise the contribution that Unite's people make to the performance of the Group.

On the following pages you will find disclosures around wages and salaries and share option schemes which allow employees of the Group to take an equity interest in the Group.

Accounting policies

The Group operates a defined contribution pension scheme. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

6.1 Staff numbers and costs

The average number of persons employed by the Group (including Directors) during the year (calculated on a monthly basis), analysed by category, was as follows:

	Number of employees	
	2020	2019
Managerial and administrative	**532**	426
Site operatives	**1,207**	937
	1,739	**1,363**

The aggregate payroll costs of these persons were as follows:

	2020 £m	2019 £m
Wages and salaries	**62.0**	49.7
Social security costs	**5.8**	5.1
Pension costs	**2.7**	1.9
Fair value of share-based payments	**1.7**	2.2
	72.2	**58.9**

The wages and salaries costs include redundancy costs of £6.1 million (2019: £1.3 million).

The total number of persons employed by the Group (including Directors) as at 31 December 2020 was 508 managerial and administrative and 1,396 site operatives. There are no employees employed directly by the Company.

6.2 Key management personnel

The Board considers that the key management personnel within the Group are those appointed to the Board. As such, the remuneration of key management personnel is contained within the Directors' Remuneration Report on pages 120 to 148, which covers the requirements of schedule 5 of the relevant legislation.

6.3 Share-based compensation

A transaction is classified as a share-based transaction where the Group receives services from employees and pays for these in shares or similar equity instruments. The Group operates a number of share-based compensation schemes allowing employees to acquire shares in the Company.

a) Share schemes

The Group operates the following schemes:

Long-Term Incentive Plan (LTIP), comprising the:

– Performance Share Plan (PSP); and
– HMRC Approved Employee Share Option Scheme (ESOS)

} Details can be found in the Directors' Remuneration Report

Save As You Earn Scheme (SAYE) — Open to employees, vesting periods of three years, service condition

b) Outstanding share options

The table below summarises the movements in the number of share options outstanding for the Group and their average exercise price:

	Weighted average exercise price 2020	Number of options (thousands) 2020	Weighted average exercise price 2019	Number of options (thousands) 2019
Outstanding at 1 January	**£1.45**	**1,929**	£2.06	1,751
Forfeited during the year	**£3.47**	**(159)**	£3.64	(179)
Exercised during the year	**£2.38**	**(255)**	£2.53	(259)
Granted during the year	**£0.50**	**1,157**	£0.81	616
Outstanding at 31 December	**£0.83**	**2,672**	£1.45	1,929
Exercisable at 31 December	**£3.46**	**59**	£2.44	43

For those options exercised in the year, the average share price during 2020 was £9.75 (2019: £10.78).

For those options still outstanding, the range of exercise prices at the year-end was 0p to 1076p (2019: 0p to 1076p) and the weighted average remaining contractual life of these options was 2.5 years (2019: 2.2 years).

The Group funds the purchase of its own shares by the 'Employee Share Ownership Trust' to meet the obligations of the LTIP and executive bonus scheme. The purchases are shown as 'Own shares acquired' in retained earnings. As at 31 December 2020, the number of shares held by the ESOT was 342,342 (2019: 428,017).

The accounting is in accordance with the relevant standards. No further information is given as the amounts for share-based payments are immaterial.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Section 7: 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 8 properties within Investment Property and Investment Property held within its Investment in joint ventures for a combined consideration of £132.5 million.

Section 8: 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	8	**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	8	**171.8**	161.0
Net debt (adjusted)	8	**(1,741.8)**	(1,094.4)
Ratio		**10.1**	**6.8**
Interest cover (Unite share)			
EBIT	8	**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				**3.8%**	4.9%
EPRA Vacancy rate				**13.0%**	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	**31.5**	3.5
Estimated rental value of the whole portfolio	**241.8**	247.1
EPRA Vacancy Rate	**13.0%**	**1.4%**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Section 8: Alternative performance measures continued

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**

Section 9: Company subsidiaries and joint ventures

In accordance with Section 409 of the Companies Act 2006, a full list of subsidiaries and equity accounted investments as at 31 December 2020 is disclosed below. Unless otherwise stated, the Group's ownership interest represents 100% of the ordinary shares, units or partnership capital held indirectly by Unite Group PLC. No subsidiary undertakings have been excluded from the consolidation. The Unite Foundation has a year-end of 30 September to facilitate academic year reporting. All other subsidiaries have a year-end of 31 December.

Registered office and principal place of business: South Quay House, Temple Back, Bristol, United Kingdom, BS1 6FL

LDC (AIB Warehouse) Limited (04872419)**	LDC (Portfolio Five) Limited (06079581)**
LDC (Alscot Road) Limited (06176428)**	LDC (Portfolio Four) Limited (04985603)**
LDC (Brunel House) Limited (09760628)**	LDC (Portfolio One) Limited (03005262)**
LDC (Camden Court Leasehold) Limited (05140620)**	LDC (Portfolio) Limited (08419375)**
LDC (Camden Court) Limited (05082671)	LDC (Project 110) Limited (05083580)**
LDC (Causewayend) Limited (08895966)**	LDC (Project 111) Limited (05791650)**
LDC (Chantry Court Leasehold) Limited (05140258)**	LDC (Radmarsh Road) Limited (05435290)**
LDC (Chaucer House) Limited (09898020)**	LDC (Skelhorne) Limited (09898132)**
LDC (Constitution Street) Limited (09210998)**	LDC (Smithfield) Limited (03373096)**
LDC (Construction Two) Limited (04847268)	LDC (St Leonards) Limited (08895830)**
LDC (Euro Loan) Limited (06623603)**	LDC (St Pancras Way) GP1 Limited (07359501)
LDC (Ferry Lane 2) GP3 Limited (07503842)**	LDC (St Pancras Way) GP2 Limited (07359428)
LDC (Ferry Lane 2) GP4 Limited (07503913)**	LDC (St Pancras Way) GP3 Limited (07503268)
LDC (Ferry Lane 2) Holdings Limited (07504099)	LDC (St Pancras Way) GP4 Limited (07503251)
LDC (Finance) Limited (09760806)**	LDC (St Pancras Way) Holdings Limited (07360734)
LDC (Greetham Street) Limited (08895825)**	LDC (St Pancras Way) Limited Partnership**
LDC (Gt Suffolk St) GP1 Limited (07274156)	LDC (St Pancras Way) Management Limited Partnership**
LDC (Gt Suffolk St) GP2 Limited (07274000)	LDC (St Vincent's) Limited (10218310)**
LDC (Gt Suffolk St) Holdings Limited (07353946)	LDC (Swindon NHS) Limited (04207502)**
LDC (Gt Suffolk St) Limited Partnership**	LDC (Tara House) Limited (09214177)**
LDC (Gt Suffolk St) Management GP1 Limited (07354719)	LDC (Thurso Street) GP1 Limited (07199022)
LDC (Gt Suffolk St) Management GP2 Limited (07354728)	LDC (Thurso Street) GP2 Limited (07198979)
LDC (Gt Suffolk St) Management Limited Partnership**	LDC (Thurso Street) GP3 Limited (07434001)
LDC (Hampton Street) Limited (06415998)	LDC (Thurso Street) GP4 Limited (07434133)
LDC (Hillhead) Limited (06176554)	LDC (Thurso Street) Limited Partnership**
LDC (Holdings) Limited (02625007)*	LDC (Thurso Street) Management Limited Partnership**
LDC (Imperial Wharf) Limited (04541678)**	LDC (Ventura) Limited (04444628)
LDC (International House) Limited (10131352)**	LDC (Vernon Square) Limited (06444132)

* Held directly by the Company.

** Company is exempt from the requirements of the Companies Act relating to the audit of individual financial statements by virtue of s479A for the financial year ended 31 December 2020.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Section 9: Company subsidiaries and joint ventures continued

Registered office and principal place of business: South Quay House, Temple Back, Bristol, United Kingdom, BS1 6FL

LDC (Kelham Island) Limited (05152229)	LDC (William Morris II) Limited (05999281)**
LDC (Leasehold A) Limited (04066933)**	Liberty Atlantic Point (Liverpool) Limited (03885187)**
LDC (Leasehold B) Limited (05978242)**	Liberty Heights (Manchester) Limited (07399622)**
LDC (Loughborough) Limited (04207522)**	Liberty Living (HE) Holdings Limited (10977869)**
LDC (Magnet Court Leasehold) Limited (05140255)**	Liberty Living (LH Manchester) Limited (07120141)**
LDC (Millennium View) Limited (09890375)**	Liberty Living (Liberty AP) Limited (03633307)**
LDC (MTF Portfolio) Limited (05530557)**	Liberty Living (Liberty PP) Limited (03991475)**
LDC (Nairn Street) GP3 Limited (07808933)	Liberty Living (LP Bristol) Limited (07242607)**
LDC (Nairn Street) GP4 Limited (07808919)	Liberty Living (LP Coventry) Limited (04330729)**
LDC (Nairn Street) Holdings Limited (07579402)**	Liberty Living (LP Manchester) Limited (04314013)**
LDC (New Wakefield Street) Limited (10436455)**	Liberty Living (LQ Newcastle) Limited (04302869)**
LDC (Newgate) Limited (08895869)**	Liberty Living (LQ2 Newcastle) Limited (07298853)**
LDC (Old Hospital) Limited (09702143)**	Liberty Living Finance plc (10979349)**
LDC (Oxford Road Bournemouth) Limited (04407309)**	Liberty Living Group Plc (BR020813)*/**
LDC (Portfolio 100) Limited (07989369)**	Liberty Living Investments 1 Limited Partnership**
LDC (Portfolio 20) Limited (08803996)**	Liberty Living Investments 2 Limited Partnership**
Liberty Living Investments 3 Limited Partnership**	Unite Finance One (Accommodation Services) Limited (04332937)**
Liberty Living Investments GP1 Limited (09375866)**	Unite Finance One (Holdings) Limited (04316207)**
Liberty Living Investments GP2 Limited (09375868)**	Unite Finance One (Property) Limited (04303331)**
Liberty Living Investments GP3 Limited (10518849)**	Unite FM Limited (06807562)**
Liberty Living Investments II Holdco 2 Limited (09574059)**	Unite For Success Limited (05157263)
Liberty Living Investments II Holdco Limited (08929431)**	Unite Holdings Limited (03148468)*/**
Liberty Living Investments II Limited (09680931)**	Unite Homes Limited (05140262)
Liberty Living Investments Limited (09375870)**	Unite Integrated Solutions plc (02402714)
Liberty Living Investments Nominee 1 Limited (09375846)**	Unite Modular Solutions Limited (05140259)
Liberty Living Investments Nominee 2 Limited (09375849)**	Unite Rent Collection Limited (05982935)**
Liberty Living Investments Nominee 3 Limited (10519085)**	Unite Student Living Limited (06204135)
Liberty Living Limited (04055891)**	USAF GP No 11 Management Limited (07351883)
Liberty Living SpareCo Limited (04616115)**	USAF LP Limited (05860874)**
Liberty Living UK Limited (06064187)**	USAF Management Limited (05862721)
Liberty Park (Bristol) Limited (07615601)**	USAF Management 6 Limited (06225945)
Liberty Park (US Bristol) Limited (07615619)**	USAF Management 8 Limited (06387597)
Liberty Plaza (London) Limited (07745097)**	USAF Management 10 Limited (06714695)
Liberty Point (Coventry) Limited (04992358)**	USAF Management 11 Limited (07082782)
Liberty Point (Manchester) Limited (04828083)**	USAF Management 12 Limited (07365681)
Liberty Point Southampton (Block A) Limited (10314954)**	USAF Management 14 Limited (09232206)
Liberty Prospect Point (Liverpool) Limited (04637570)**	USAF Management 18 Limited (10219775)
Liberty Quay (Newcastle) Limited (05234174)**	USAF Management GP No.14 Limited (09130985)**
Liberty Quay 2 (Newcastle) Limited (07376627)**	USAF Management GP No.15 Limited (09749946)**
Liberty Severn Point (Cardiff) Limited (04313995)**	USAF Management GP No.16 Limited (09750068)**
Liberty Village (Edinburgh) Limited (10323566)**	USAF Management GP No.17 Limited (09750061)**
LL Midco 2 Limited(08998308)**	USAF Management No.18 Limited Partnership
LSAV (Angel Lane) GP3 Limited (08646359)**	LDC (Capital Cities Nominee No.1) Limited (05347228) (50.0%)
LSAV (Angel Lane) GP4 Limited (08646929)**	LDC (Capital Cities Nominee No.2) Limited (05359457) (50.0%)
LSAV (Aston Student Village) GP3 Limited (10498217)**	LDC (Capital Cities Nominee No.3) Limited (08792780) (50.0%)
LSAV (Aston Student Village) GP4 Limited (10498484)**	LDC (Capital Cities Nominee No.4) Limited (08792688) (50.0%)

* Held directly by the Company.

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LSAV (Stapleton) GP3 Limited (08646819)**	LDC (Capital Cities) Limited (05347220) (50.0%)
LSAV (Stapleton) GP4 Limited (08647019)**	LDC (Ferry Lane 2) GP1 Limited (07359448) (50.0%)
LSAV (Stratford) GP3 Limited (08751654)**	LDC (Ferry Lane 2) GP2 Limited (07359481) (50.0%)
LSAV (Stratford) GP4 Limited (08751629)**	LDC (Ferry Lane 2) Limited Partnership (50.0%)
LSAV (Wembley) GP3 Limited (08725127)**	LDC (Ferry Lane 2) Management Limited Partnership (50.0%)
LSAV (Wembley) GP4 Limited (08725235)**	LDC (Stratford) GP1 Limited (07547911) (50.0%)
LSAV Rent Collection Limited (08496230)**	LDC (Stratford) GP2 Limited (07547994) (50.0%)
Stardesert Limited (04437102)	LDC (Stratford) Limited Partnership (50.0%)
The Unite Foundation	LDC Capital Cities Two (GP) Limited (08790742) (50.0%)
Unite Accommodation Management Limited (06190905)**	LSAV (Angel Lane) GP1 Limited (08593689) (50.0%)
Unite Accommodation Management 2 Limited (05193166)**	LSAV (Angel Lane) GP2 Limited (08593692) (50.0%)
Unite Accommodation Management 6 Limited (05077346)**	LSAV (Angel Lane) Limited Partnership (50.0%)
Unite Accommodation Management 9 Limited (06190863)**	LSAV (Angel Lane) Management Limited Partnership (50.0%)
Unite Accommodation Management 16 Limited (07061314)**	LSAV (Aston Student Village) GP1 Limited (10498478) (50.0%)
Unite Accommodation Management 18 Limited (08328484)**	LSAV (Aston Student Village) GP2 Limited (10498481) (50.0%)
Unite Accommodation Management 19 Limited (08790504)	LSAV (Aston Student Village) Limited Partnership (50.0%)
Unite Accommodation Management 20 Limited (08790642)	LSAV (Aston Student Village) Management Limited Partnership (50.0%)
Unite Accommodation Management One Hundred Limited (07989080)**	LSAV (Stapleton) GP1 Limited (08593695) (50.0%)
Unite Construction (Angel Lane) Limited (08792704)**	LSAV (Stapleton) GP2 Limited (08593699) (50.0%)
Unite Construction (Stapleton) Limited (09023406)	LSAV (Stapleton) Limited Partnership (50.0%)
Unite Construction (Wembley) Limited (09023474)	LSAV (Stapleton) Management Limited Partnership (50.0%)
Unite Finance Limited (04353305)*/**	LSAV (Stratford) Management Limited Partnership (50.0%)
LSAV (Wembley) GP1 Limited (08635735) (50.0%)	USAF GP No 6 Limited (05897755) (13.3%)
LSAV (Wembley) GP2 Limited (08636051) (50.0%)	USAF GP No 8 Limited (06381914) (13.3%)
LSAV (Wembley) Limited Partnership (50.0%)	USAF GP No 10 Limited (06714734) (13.3%)
LSAV (Wembley) Management Limited Partnership (50.0%)	USAF GP No 11 Limited (07075210) (13.3%)
UNITE Capital Cities Holdings Limited (08801242) (50.0%)	USAF GP No 12 Limited (07368735) (13.3%)
Unite Capital Cities Limited Partnership (50.0%)	USAF GP No 14 Limited (09089977) (13.3%)
Unite Capital Cities Two Limited Partnership (50.0%)	USAF GP No 15 Limited (09585201) (13.3%)
USAF Management 16 Limited (07735741) (22.2%)**	USAF GP No.15A Limited (12644211) (22.0%)
USAF Management 17 Limited (05591986) (22.2%)**	USAF GP No.16A Limited (12644210) (22.0%)
USAF Management No. 14 Limited Partnership (22.0%)	USAF GP No.17A Limited (12644208) (22.0%)
USAF Management No. 15 Limited Partnership (22.2%)	USAF GP No 18 Limited (10219336) (13.3%)
USAF Management No. 16 Limited Partnership (22.2%)	USAF Holdings B Limited (06324325) (13.3%)
USAF Management No. 17 Limited Partnership (22.2%)	USAF Holdings C Limited (06381882) (13.3%)
USAF No.1 Limited Partnership (22.0%)	USAF Holdings H Limited (09089805) (13.3%)
USAF No.6 Limited Partnership (22.0%)	USAF Holdings I Limited (09581882) (13.3%)
USAF No.8 Limited Partnership (22.0%)	USAF Holdings J Limited (10215997) (13.3%)
USAF No.10 Limited Partnership (22.0%)	USAF Holdings Limited (05870107) (13.3%)
USAF No.11 Limited Partnership (22.0%)	USAF Nominee No.1 Limited (05855598) (13.3%)
USAF No.12 Limited Partnership (22.0%)	USAF Nominee No.1A Limited (05835512) (13.3%)
USAF No.14 Limited Partnership (22.0%)	USAF Nominee No.6 Limited (05855599) (13.3%)
USAF No.15 Limited Partnership (22.2%)	USAF Nominee No.6A Limited (05885802) (13.3%)
USAF No.15A Limited Partnership (22.0%)	USAF Nominee No.8 Limited (06381861) (13.3%)

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NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Section 9: Company subsidiaries and joint ventures continued

Registered office and principal place of business: South Quay House, Temple Back, Bristol, United Kingdom, BS1 6FL	
USAF No.16A Limited Partnership (22.0%)	USAF Nominee No.8A Limited (06381869) (13.3%)
USAF No.17A Limited Partnership (22.0%)	USAF Nominee No.10 Limited (06714690) (13.3%)
USAF No.18 Limited Partnership (22.0%)	USAF Nominee No.10A Limited (06714615) (13.3%)
USAF No.11 Management Limited Partnership (22.0%)	USAF Nominee No.11 Limited (07075251) (13.3%)
Filbert Village Student Accommodation Limited Partnership (22.0%)	USAF Nominee No.11A Limited(07075213) (13.3%)
LDC (Nairn Street) Limited Partnership (22.0%)	USAF Nominee No.12 Limited (07368733) (13.3%)
LDC (Nairn Street) Management Limited Partnership (22.0%)	USAF Nominee No.12A Limited (07368755) (13.3%)
Filbert Village GP Limited (06016554) (13.3%)	USAF Nominee No.14 Limited (09231609) (13.3%)
LDC (Nairn Street) GP1 Limited (07580262) (13.3%)	USAF Nominee No.14A Limited (09231604) (13.3%)
LDC (Nairn Street) GP2 Limited (07580257) (13.3%)	USAF Nominee No.18 Limited (10218595) (13.3%)
USAF Finance II Limited (08526474) (13.3%)	USAF Nominee No.18A Limited (10219339) (13.3%)
USAF GP No 1 Limited (05897875) (13.3%)	USAF RCC Limited (05983554) (13.3%)

Registered office and principal place of business: 13 Castle Street, St Helier, Jersey, JE4 5UT	
LDC (Gt Suffolk St) Unit Trust	LSAV (Aston Student Village) Unit Trust (50.0%)
LDC (St Pancras Way) Unit Trust	LSAV (Holdings) Limited (50.0%)
LDC (Thurso Street) Unit Trust	LSAV (Trustee) Limited (50.0%)
LSAV (Jersey Manager) Limited	LSAV Unit Trust (50.0%)
Unite (Capital Cities) Jersey Limited	Unite Capital Cities Unit Trust (50.0%)
USAF Jersey Investments Limited	USAF Portfolio 18 Unit Trust (22.2%)
USAF Jersey Manager Limited	LDC (Nairn Street) Unit Trust(21.9%)
LDC (Ferry Lane 2) Unit Trust (50.0%)	Unite UK Student Accommodation Fund(13.3%)
LDC (Stratford) Unit Trust (50.0%)	

Registered office and principal place of business: Third Floor, La Plaiderie Chambers, St Peter Port, Guernsey, GY1 1WG	
USAF Feeder Guernsey Limited (45.2%)	USAF Portfolio 17 Unit Trust (22.2%)
USAF Portfolio 15 Unit Trust (22.2%)	USAF 15 NRL Limited (22.2%)
USAF Portfolio 16 Unit Trust (22.2%)	

Registered office and principal place of business: Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2 EN	
LSAV (GP) Limited (SC431844) (50.0%)	LSAV (Property Holdings) Limited Partnership (50.0%)

Registered office and principal place of business: Trident Chambers, Wickhams Cay, P.O. Box 146, Road Town, Tortola, British Virgin Islands	
Liberty Park (Bedford) Limited	Liberty Plaza (Newcastle) Limited

Registered office and principal place of business: Third Floor, Barclays House, Victoria Street, Douglas, Isle of Man, IM1 2LE
Filbert Street Student Accommodation Unit Trust (21.9%)

Registered office and principal place of business: Room 507, Floor 5, Block 1, Building No. 10, Jintong Road West, Chaoyang District, Beijing, People's Republic of China
Unite Students Accommodation (Beijing) Business Service Company Limited

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