PRESS RELEASE

23 February 2022

THE UNITE GROUP PLC

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

# RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

**Richard Smith, Chief Executive of Unite Students, commented:**

"The business has seen a strong recovery in performance in 2021 and is well positioned for further growth due to our alignment to the strongest universities, an enhanced reputation thanks to our supportive actions during the pandemic and our best-in-class operating platform. We have ambitious goals for our environmental and social impact, as underlined by the recent publication of our pathway to net zero carbon by 2030.

"The outlook for the business and the UK Higher Education sector is strong, driven by rising participation rates, increased demand for our product from returning students, significant and sustained demographic growth and Government support for growth in international student numbers.

"We have our biggest ever development pipeline and the balance sheet capacity to pursue new growth opportunities through university partnerships and targeted acquisitions. We are confident in our ability to attract more of the students currently living in the HMO sector and also see potential to extend our platform to cater to the growing number of young professional renters living in major UK cities. Together this underpins significant future earnings growth and attractive total returns for shareholders."

| **Year ended** | **31 December 2021** | **31 December 2020** | **Change** |
|---|---|---|---|
| Adjusted earnings[1,3] | £110.1m | £91.6m | 20% |
| Adjusted EPS[1,3] | 27.6p | 24.0p | 15% |
| IFRS profit/(loss) before tax | £343.1m | £(120.1)m | n/m |
| IFRS basic EPS | 85.9p | (31.8)p | n/m |
| Dividend per share | 22.1p | 12.8p | 73% |
| Total accounting return[1] | 10.2% | (3.4)% | |
| **As at** | **31 December 2021** | **31 December 2020** | **Change** |
| EPRA NTA per share[1] | 882p | 818p | 8% |
| IFRS net assets per share | 880p | 809p | 9% |
| See-through net debt[2] | £1,522m | £1,742m | (13)% |
| Loan to value[2] | 29% | 34% | (5)% |
| MSCI ESG | AA rating | AA rating | |
| GRESB score | 85/100 | 81/100 | +4 |

## HIGHLIGHTS

### Return to earnings growth

- Adjusted earnings of £110.1 million, up 20% (2020: £91.6 million) and adjusted EPS of 27.6p, up 15% (2020: 24.0p)[3]
- IFRS profit before tax of £343.1 million (2020: loss of £120.1 million), driven by a valuation gain of £182.2 million (2020: £178.8 million loss)
- EPRA NTA up 8% to 882p (31 December 2020: 818p)
- IFRS NAV up 9% to 880p (31 December 2020: 809p)
- Total accounting return of 10.2% for the year (2020: (3.4)%)
- Dividend of 22.1p (2020: 12.8p), reflecting a payout ratio of 80% of adjusted EPS (2020: 53%)

### Recovery in 2021/22 and strong student demand for 2022/23

- 94% occupancy and 2.3% rental growth for 2021/22 (2020/21: 88% and (0.6)%, 2019/20: 98% and 3.4%)
- Reservations at 67% for 2022/23, with increased customer retention (2020/21: 60%, 2019/20: 73%)
- University applications for 2022/23 up 7% on pre-pandemic levels
- Inflation protection through multi-year nomination agreements and annual sales cycle

### Record development pipeline, funded through active capital recycling

- Secured development and university partnerships pipeline of £967 million (c.6,000 beds) for delivery over the next four years, delivering 10p of upside to EPRA EPS
- Acquisition of £177 million development in East London, providing 700 beds
- £261 million of disposals, improving portfolio quality
- Further opportunities to add to university partnerships and development pipeline

### Best-in-class platform supporting attractive financial returns

- Anticipate total accounting returns of c.10% in 2022, excluding any impact from yield movements
- Return to 97% occupancy and rental growth of 3.0-3.5% for 2022/23
- EPRA EPS guidance of 41-43p for 2022
- Targeting adjusted EBIT margin of above 72% over the medium term (2021: 62.3%)

### Balance sheet positioned for growth

- LTV reduced to 29% (2020: 34%), demonstrating ongoing capital discipline
- LSAV joint venture extended by 10 years to 2032 and receipt of £53 million performance fee

### Committed to being a responsible and resilient business

- Publication of net zero carbon pathway and SBTi validated carbon reduction targets
- Proactive improvements in fire safety, demonstrating leadership on removal of HPL cladding

1. The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). 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 and are based on the European Public Real Estate Association (EPRA) best practice recommendations. The metrics are also used internally to measure and manage the business and to align to the performance related conditions for Directors' remuneration. See glossary for definitions and note 7 for calculations and reconciliations.
2. Excludes IFRS 16 related balances recognised in respect of leased properties. See glossary for definitions.
3. Adjusted earnings and adjusted EPS remove the impact of the LSAV performance fee and integration costs in relation to Liberty Living from EPRA earnings and EPRA EPS. See glossary for definitions and note 7 for calculations and reconciliations.

## PRESENTATION

There will be a presentation for analysts this morning at 08:30 GMT. A live webcast will be available via this link. To register for the event or to receive dial-in details, please contact unite@powerscourt-group.com.

**For further information, please contact:**


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## CHIEF EXECUTIVE'S REVIEW

The business has delivered a strong performance in 2021, despite the ongoing challenges presented by the Covid-19 pandemic. We have once again proven the quality and resilience of our operating platform, with all properties remaining open during national lockdowns at the start of the year, as they did throughout 2020. This reflects the commitment of our teams, as well as the value of our best-in-class operating platform, PRISM, which allowed us to quickly adapt to the changing circumstances.

As a business, we are committed to acting responsibly and 'doing what's right'. This principle has shaped our response to the pandemic and led to the further rental discounts and complimentary tenancy extensions offered to students unable to use their accommodation at the start of 2021. We have also increased the support offered to students and our employees to ensure their health, safety and wellbeing. We believe these actions have enhanced our reputation with students, parents, universities and Government and will create further opportunities in the future.

### Return to growth

The business delivered a strong recovery in financial performance in 2021, with adjusted earnings of £110.1 million and adjusted EPS of 27.6p, up 15% year-on-year. This reflects an increase in occupancy to 94% for the 2021/22 academic year (2020/21: 88%) and a lower impact from rental discounts when compared to 2020. The profit before tax of £343.1 million also reflects the valuation growth of our property portfolio during the year. We have proposed a dividend of 22.1p for the full year, which represents a payout ratio of 80% of adjusted EPS, underlining our confidence in future business performance.

Total accounting returns for the year improved to 10.2%, reflecting an 8% increase in EPRA NTA to 882p. Our LTV ratio reduced to 29% during the year through revaluation gains, disposal proceeds and receipt of our LSAV performance fee. This provides the financial headroom to deliver our secured development pipeline and pursue new growth opportunities.

Our key financial performance indicators are set out below:

| Financial highlights[4] | 2021 | 2020 |
|---|---|---|
| Adjusted earnings | £110.1m | £91.6m |
| Adjusted EPS | 27.6p | 24.0p |
| IFRS profit/(loss) before tax | £343.1m | £(120.1)m |
| IFRS basic EPS | 85.9p | (31.8)p |
| Dividend per share | 22.1p | 12.75p |
| Adjusted EPS yield | 3.4% | 2.8% |
| Total accounting return | 10.2% | (3.4)% |
| | | |
| EPRA NTA per share | 882p | 818p |
| IFRS net assets per share | 880p | 809p |
| Loan to value | 29% | 34% |

4. See glossary for definitions and note 7 for alternative performance measure calculations and reconciliations. A reconciliation of profit/loss before tax to EPRA earnings and adjusted earnings is set out in note 7 of the financial statements.

### Continued support for students and universities

Since the outbreak of Covid-19, we have strived to play our part and do the right thing for our students and university partners in a fair and proportionate way. In response to the national lockdown announced in January 2021, students not living in their accommodation were able to apply for a ten-week rental discount and four-week complimentary tenancy extension.

We have now provided over £100 million in financial support to students during the Covid-19 pandemic through a combination of rent waivers and flexibility offered to students. We believe this is the largest package of financial support offered in the Higher Education (HE) sector and reflects our commitment to show leadership in the sector, as well as encouraging others to act accordingly.

All our properties remained, and continue to remain, open and operational, employing a range of measures to reduce transmission of Covid-19 where possible. With the removal of the remaining Government restrictions during the first quarter of 2022, students will be able to enjoy the full experience of university life.

### Positive outlook for 2022/23

We see strong demand for accommodation this autumn, with UCAS applications up 7% on pre-pandemic levels. Reservations for the 2022/23 academic year are encouraging at 67%, which is ahead of the prior year level of 60%. This is underpinned by the 50% of beds secured under nomination agreements for an average term of seven years.

We expect bookings under nomination agreements to grow as a percentage of bookings by the end of the current annual sales cycle and to increase to 55% of total beds over the next two academic years. This reflects the opportunity to deepen relationships with our existing university partners. We have recently secured new multi-year agreements to let 1,000 beds to two Russell Group universities from the 2022/23 academic year.

We expect strong student demand for 2022/23 from both domestic and international students. We have maintained our focus on retaining existing direct-let customers, which has led to an increased share of sales to re-bookers. The attractiveness of PBSA over HMO is being clearly proven.

This supports our anticipated return to 97% occupancy and 3.0-3.5% rental growth for the 2022/23 academic year.

**Strategic overview**

Having shown real resilience during the pandemic, the business is now well positioned for growth. Our best-in-class operating platform provides us with strong foundations to adapt to evolving student needs and deliver an enhanced customer experience. There are also significant opportunities to invest in our well located and affordable estate to drive rental growth and improve the environmental performance of our buildings.

Our strategy is focused on three key objectives, which will deliver value for our range of stakeholders:

- **Delivering for our customers and universities** – Our purpose is to deliver a Home for Success for our customers by delivering a highly valued experience during their time with us. We will also support our university partners to deliver their accommodation needs and future growth ambitions
- **Attractive returns for shareholders** – Delivered through a combination of growing recurring income, rental growth and value-add through our development activities, supported by a robust and flexible balance sheet
- **A responsible and resilient business** – We are committed to doing what's right by raising standards for our customers, investors and employees to ensure we build on our sector-leading position in the student housing sector

*Delivering for our customers and universities*

We have a best-in-class operating platform in the student accommodation sector, underpinned by our PRISM technology platform, passionate front-line teams and sector-leading welfare and support. However, we recognise that student expectations are evolving, with higher expectations for rooms, social spaces, amenities and technology. In response, we are investing in the next generation of our PRISM technology platform to enable the seamless digital experience expected by students and to further improve our sector-leading efficiency.

We also see an opportunity to tailor our customer offer to better meet the needs of different segments in the student market. We are already successful in catering to undergraduate 1st year students, as reflected in the large number of beds let to universities under nomination agreements. We also see opportunities to tailor our customer proposition to better meet the needs of non-1st year students seeking greater independence, as well as postgraduate and international students who may be willing to pay a premium for a higher level of service. In 2021, we conducted successful trials of a postgraduate-focused customer offer at seven properties, which delivered increases in rental income and net promoter scores. As a result, we have increased our product and service segmentation for postgraduates for the 2022/23 sales cycle.

These initiatives will enhance student experience, increase customer retention and support higher operating margins over time. Improving our hassle-free, value-for-money offer will also help us capture market share from the one million students currently living in houses of multiple occupancy (HMOs). We are already seeing success in this area, with direct-let sales to UK students for 2021/22 up 33% on pre-pandemic levels and a meaningful increase in re-booking activity for 2022/23.

We remain convinced in the opportunity for strategic partnerships with universities to meet their long-term accommodation needs. The pandemic has increased the operational and financial challenges faced by universities and there is a growing appetite for partnerships with leading operators of student accommodation. This is reflected in over 80% of our development pipeline by value being underpinned by university partnerships. For developments completing in 2022, 78% are let under nomination agreements for an average of nine years. We also see further opportunities to capitalise on our brand and the goodwill created by our response to Covid-19 to accelerate and enhance our pipeline of university partnerships through traditional off-campus development, on-campus development or stock transfer.

*Attractive returns for shareholders*

The quality, location and scale of our portfolio is a key component of our business model and long-term strategy. We are focused on growing our alignment to the strongest universities seeing the greatest student number growth, reflected in 90% of our rental portfolio and 100% of our development pipeline being located in Russell Group university cities. We expect our portfolio to become more concentrated towards the strongest markets over time, with our weighting to London increasing from 35% to 44% on a Unite share basis through delivery of our development pipeline.

Over the past 12 months, we have sold £261 million of assets to enhance our overall portfolio quality and fund reinvestment into the improvement of our estate. These proactive sales have reduced our footprint from 27 to 25 markets and largely completes the disposals of non-strategic assets identified following our acquisition of Liberty Living in 2019.

Our development capability and track record is a major differentiator in the student accommodation sector. This, combined with our strong reputation and relationships with universities, supports our future growth through development and new university partnerships. Our new investments are focused on 8-10 cities, including London and prime regional markets with the strongest demand outlook. Our development pipeline is now at a record level, totalling c.6,000 beds and £967 million in total development cost. This is expected to deliver 10p of upside to EPRA EPS and generate an NTA uplift of 78p on completion. We continue to see a positive flow of development opportunities and expect to add further schemes to the pipeline during 2022.

Our portfolio activity supports our target to deliver sustainable rental growth of 3.0-3.5% p.a. and significant future growth in recurring earnings. Together with the combination made by our development activities, this underpins our target for total accounting returns of 8.5-10% p.a.

*A responsible and resilient business*

Our new sustainability strategy was launched in March 2021, building on our existing work to reduce our environmental impact and improve student outcomes. Reflecting the expectations of our stakeholders, our targets are now more ambitious, as reflected in our commitment to become a net zero carbon business by 2030. We recently published our net zero carbon pathway, including targets validated by the SBTi, which sets out the activities and investment required to reach net zero for both our operations and development activities.

We are increasing our investment in energy initiatives to reduce consumption, save carbon and ensure ongoing compliance with regulations, such as energy performance certificates. We invested £3 million in these initiatives in 2021, taking our total investment to over £30 million since 2014. We have identified a further c.£100 million of opportunities for capital investment to help us achieve our environmental targets, which equates to an annual investment of c.£10 million from 2022 onwards (£5-7 million p.a. at Unite share). As well as being the right thing to do, there is also a strong business case for this investment, with a payback of under 10 years through operating cost savings.

We have a strong track record in delivering positive social impact at Unite, with a clear link to our purpose of providing a Home for Success. Our initiatives are focused on helping young people to succeed through supporting the transition from school to university and helping to widen access to Higher Education. The Unite Foundation celebrates its 10th anniversary this year and, to date, our support has helped provide accommodation scholarships for over 500 care leavers and students who are estranged from their family. We are committed to delivering positive social impact for our students and communities over the long term, which is reflected in our investment of 1% of profits into these initiatives each year.

### Fire safety

Fire safety is a critical part of our health and safety strategy and how we operate as a responsible business. We are committed to being leaders in fire safety standards, through a proactive risk-based approach, which is embedded across our entire business, to ensure that students and our employees are kept safe. All our buildings are independently confirmed as safe to operate and occupy by fire safety experts.

We have undertaken a thorough review of the use of high-pressure laminate (HPL) cladding on our properties. During the period, we completed remedial works on four buildings and are now on site at a further eight, spending a total of £38 million (Unite share: £18 million) in the year. Our year-end balance sheet includes provisions and accruals for cladding remediation costs across our estate at a cost of £107 million (Unite share: £55 million), which will be incurred over the next 12-36 months.

The Government has proposed a Building Safety Bill, covering building standards, which is likely to result in more stringent fire safety regulations. We will ensure we remain aligned to fire safety regulations as they evolve and will continue to make any required investment to ensure our buildings are compliant and remain safe to occupy.

We are seeking to mitigate the costs of cladding replacement through claims from contractors under build contracts, where appropriate. To date, we have recovered £10 million from completed claims, representing 70% of the costs of remediation on those buildings. We expect to recover 50-75% of total replacement costs over time, but this is not reflected in our balance sheet.

### Well protected against inflation

Like many businesses, rising inflation is resulting in cost pressures in parts of our operations and development supply chains. Positively, the business is well protected from these impacts through the inflation-hedging characteristics of our income and risk management through cost hedging.

Our rooms are either resold each year on a direct-let basis or repriced based on RPI, CPI or fixed rental inflators under our multi-year nomination agreements. These multi-year agreements are expected to deliver contracted rental increase of c.4% for the 2022/23 academic year, supporting rental growth across the total portfolio of 3.0-3.5%. We remain focused on providing value-for-money accommodation for students and recognise that affordability is key to the sustainability of our rental growth over the long term.

Our cost base is also protected from some inflationary pressures through hedging of utility costs, interest payments and fixed-price contracts for committed development projects. At current energy prices, our utilities hedging will save the Group £24 million in 2022, representing around 0.5% of rental income. We remain confident in our ability to manage inflation in the short term through efficiencies across the operations business and by factoring higher build costs into our development appraisals.

## Growing demand for Higher Education

The outlook for student accommodation remains positive, with structural factors continuing to drive a demand-supply imbalance for our product. Demographic growth will see the population of UK 18-year-olds increase by 22% by 2030. Participation rates in the UK also continue to grow and are now at their highest ever level, reflecting the value young adults place on a higher level of education and the life experience and opportunities it offers.

The Government is targeting growth in international student numbers, aided by the two-year post-study visa (three years for postgraduates). This ambition is underpinned by the UK HE sector's global standing and the strength of its universities. Given constraints on new supply of university-owned stock and private-rented housing, the vast majority of this new demand will need to be met by corporate PBSA providers.

Brexit has had a negative impact on EU student numbers due to the loss of home fee status and access to a tuition fee loan, with student acceptances falling from 32,000 to 16,000 in 2021/22. EU customers represent 5% of occupancy in 2021/22, down from 10% in 2019/20. We anticipate a more marginal reduction in EU student numbers over the next two years, which we expect to be more than offset through increasing demand from UK and non-EU students.

The Skills for Jobs white paper, published in 2021, underlines the Government's commitment to widening participation in post-18 education and strengthening the global standing of the UK HE sector. Ahead of the Government's final response to the Augar Report on post-18 education and funding, the Office for Students (OfS) has launched a consultation on student outcomes in the HE sector. It will consider the quality of HE provision and value for money for students and the taxpayer and may lead to the introduction of minimum standards for HE providers based on course completion rates and the share of students going on to employment or further study.

We are confident that our strategic alignment to high and mid-ranked universities positions us to successfully navigate future changes to the Government's HE policy. Around half of our income comes from universities in the top quartile of the OfS's quality metrics, with only 4% coming from universities in the bottom quartile.

## Opportunities to grow our platform

There remain significant opportunities to grow the business in the UK PBSA sector through our secured development pipeline, targeted acquisitions and partnerships with universities. We have also periodically considered opportunities to expand our PBSA footprint outside of the UK. However, we strongly believe that the core strengths of our best-in-class operating platform, stakeholder relationships and development expertise are best leveraged in growing the business within the UK.

Demand for student accommodation continues to grow due to rising student numbers and the increasing awareness of the benefits of PBSA among non-1st year students. The HMO sector, which provides homes to one million students, is increasingly expensive and not fit-for-purpose in a backdrop of rising environmental standards through EPC certification. The cost to HMO landlords of addressing this issue is substantial, which we expect to result in increased costs for students and a reduction in the availability of private rented homes. Through our ambitious sustainability commitments and leadership in the student accommodation sector, we are well positioned to attract more students over time.

There is also a potentially significant opportunity to grow our platform in the wider living sector by catering to the growing number of young professional renters living in major UK cities. There is an acute shortage of high-quality, professionally-managed and sustainable rental accommodation in the UK. We believe our operating platform and development capability would enable us to be successful in the young professional living market. We are trialling a new product for the non-student element of our development at Campbell House in Bristol and, more broadly, we are reviewing the relative attractiveness and scale of opportunities in this sector.

## Outlook

The outlook for the business remains strong, reflecting the underlying strength of student demand, our alignment to the strongest universities, the capabilities of our best-in-class operating platform and our track record of delivering growth.

We are confident in our ability to deliver significant growth in earnings and attractive total accounting returns for shareholders. We expect strong demand for the 2022/23 academic year, with reduced disruption from travel restrictions and grade inflation. This supports a return to 97% occupancy, 3.0-3.5% rental growth and the delivery of total accounting returns of c.10% for 2022, excluding any impact from yield movements. We therefore remain confident in the prospects for the business.

## OPERATIONS REVIEW

### Sales, rental growth and profitability

The key strengths of our operating business are our highly-committed people, our PRISM operating platform, our brand and the strength of our relationships with universities. These capabilities helped to deliver a recovery in financial performance in 2021, despite the ongoing disruption created by Covid-19, delivering adjusted EPS of 27.6p (2020: 24.0p). The 15% increase in adjusted EPS reflects higher occupancy for the 2021/22 academic year (2020/21: 88%) and a lower impact from rental discounts offered to students in response to the pandemic.

Based on a positive outlook for student demand and progress-to-date on reservations, we anticipate an increase to 97% occupancy for the academic year. This supports our guidance for EPRA EPS of 41-43p for the 2022 financial year.

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

| Summary income statement | 2021<br>£m | 2020<br>£m |
|---|---|---|
| Rental income | 282.7 | 263.2 |
| Property operating expenses | (90.9) | (82.9) |
| **Net operating income (NOI)** | **191.8** | **180.3** |
| *NOI margin* | *67.8%* | *68.5%* |
| Management fees | 15.9 | 14.0 |
| Overheads | (31.5) | (30.9) |
| Finance costs | (63.3) | (64.9) |
| Development and other costs | (2.8) | (6.9) |
| LSAV performance fee | 41.9 | 5.7 |
| **EPRA earnings** | **152.0** | **97.3** |
| LSAV performance fee | (41.9) | (5.7) |
| **Adjusted earnings** | **110.1** | **91.6** |
| | | |
| **Adjusted EPS** | **27.6p** | **24.0p** |
| **EPRA EPS** | **38.1p** | **25.5p** |
| *Adjusted EBIT margin* | *62.3%* | *62.1%* |

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

Rental income increased by £19.5 million to £282.7 million, up 7%, as a result of higher occupancy and a reduced level of rental discounts. The total value of discounts offered to students in 2021 was c.£10 million, reflecting 40% take-up of the 10-week rental discount offered to students not staying in their accommodation between January and March 2021.

Net operating income increased by 6% to £191.8 million, reflecting the uplift in rental income and a 10% year-on-year increase in property operating expenses. The increase in property operating expenses reflects the resumption of certain costs not incurred during 2020 due to one-off cost saving measures, including summer cleaning costs and staff bonus payments, as well as increased utilities costs as a result of higher occupancy over the year and underlying price increases. In addition, increased investment was made into marketing to drive sales for the 2021/22 academic year.

Our electricity costs are fully hedged in 2022 and 85% hedged for 2023, and gas (which accounts for less than 0.5% of our rent) is hedged through 2023. We are exploring opportunities to fix energy costs through further power purchase agreements (PPAs) in support of new renewable energy capacity. PPAs provide competitive pricing compared to wholesale energy markets as well as cost certainty through multi-year contracts, while aligning to our commitment to source 100% renewable electricity.

| Property operating expenses breakdown | 2021 £m | 2020 £m | Change |
|---|---|---|---|
| Staff costs | (28.4) | (26.6) | (1.8) |
| Utilities | (21.9) | (19.8) | (2.1) |
| Summer cleaning | (3.3) | (2.4) | (0.9) |
| Marketing | (5.8) | (3.3) | (2.5) |
| Central cost allocation | (9.7) | (7.9) | (1.8) |
| Other | (21.8) | (22.9) | 1.1 |
| **Property operating expenses** | **(90.9)** | **(82.9)** | **(8.0)** |

Overheads increased by £0.6 million, principally reflecting increases in staff costs. Recurring management fee income from joint ventures increased to £15.9 million (2020: £14.0 million), driven by higher NOI and property valuations in USAF and LSAV.

Our adjusted EBIT margin increased to 62.3% in 2021 (2020: 62.1%), reflecting a reduction in overheads net of recurring management fees as a percentage of rental income. Reflecting our cost discipline and the anticipated recovery in rental income from 2021/22 onwards, we are targeting an improvement in our adjusted EBIT margin to around 70% in 2022 and above 72% over the medium term. This will be delivered through growth in occupancy and rents, development completions and further efficiencies over time in areas such as staff costs, procurement, utilities and the enhanced use of technology.

Finance costs reduced to £63.3 million (2020: £64.9 million), reflecting a reduction in average borrowings during the year as cash balances reduced to more typical levels on the back of an improved trading outlook. This impact was partially offset by a higher average cost of finance in 2021 of 2.9% (2020: 2.7%) as we repaid revolving credit facilities at lower average rates. Interest capitalised into development schemes increased to £5.2 million (2020: £4.6 million), driven by resumption of development activity at Middlesex Street in London and Campbell House in Bristol, as well as a development start at Derby Road in Nottingham. We expect capitalised interest to increase to around £7-8 million in 2022 as development activity increases ahead of deliveries in 2022, 2023 and 2024.

Development (pre-contract) and other costs were lower at £2.8 million (2020: £6.9 million), reflecting the cost of development overheads, the earnings impact of share-based incentives, deferred and current tax and our contribution to the Unite Foundation. The year-on-year reduction reflects a credit of £2.8 million for tax in 2021 (2020: £2.0 million expense).

EPRA earnings includes £41.9 million of performance fees in the year (2020: £5.7 million) in relation to the performance fee received from LSAV as well as the unwind of tax provided against the performance fee in previous years. The fee became payable on extension of the joint venture and represents out-performance compared to our expectation at the start of the year due to the strong valuation performance of LSAV's London properties. Given the quantum of the performance fee in the year, it has been excluded from adjusted earnings to improve the comparability of results year-on-year.

### Improved occupancy for 2021/22

We achieved occupancy of 94% across our total portfolio for the 2021/22 academic year (2020/21: 88%, 2019/20: 98%), reflecting a meaningful improvement from the disrupted booking cycle in 2020/21. This represented significant outperformance of our PBSA peers, who delivered average occupancy of 83% for 2021/22 (JLL).

We continue to sell over half of our beds through nomination agreements with universities. This represents a key differentiator for Unite in the PBSA sector, with our nomination agreements accounting for around 40% of all beds leased by universities across the UK. Occupancy through nomination agreements has reduced slightly during the past two pandemic-affected leasing cycles, reflecting understandable caution from universities over student demand.

*Occupancy by type and domicile by academic year*

| | | Direct let | | | | |
|---|---|---|---|---|---|---|
| | Nominations | UK | China | EU | Non-EU | Total |
| 2019/20 | 57% | 16% | 15% | 4% | 6% | 98% |
| 2020/21 | 53% | 16% | 11% | 4% | 4% | 88% |
| 2021/22 | 51% | 21% | 13% | 3% | 6% | 94% |

Student acceptances for 2021/22 were broadly stable at 562,000 (2020/21: 570,000), with a record share of UK school leavers entering universities and the highest ever admissions for non-EU students but, as expected, this was offset by a significant reduction in EU student numbers following Brexit.

The gap to pre-pandemic occupancy levels of 97-98% in 2021/22 could be principally attributed to two reasons. The first is the disruption created by higher grade attainment due to teacher-assessed grades, which has distorted the distribution of students among our cities. More students attained the entry requirements for their first-choice universities than in a normal year, reflecting the 44% of students awarded A* or A grades in this year's A levels, compared with 25% in 2019. We sold out in the majority of our markets, with significant waiting lists in a number of key cities where students struggled to find suitable accommodation. However, we have seen a concentration of voids in a small number of cities where we expect universities to have lost market share of students, or which are adjusting to new supply.

Our waiting lists for 2021/22 equated to an additional c.1-2% in potential occupancy, which we would expect to be redistributed among our other cities as disruption from higher grading unwinds. The Government has confirmed that grade boundaries will return to pre-pandemic levels over the next two years, and we do not expect the same level of disruption for the student intake in 2022. This year's strong undergraduate intake in higher-ranked cities will also support student numbers and rental growth prospects in these markets over the next three years.

The second factor is the ongoing impact of the pandemic on international travel. Despite a record level of non-EU admissions in 2021/22, this did not fully translate into bookings. In particular, we have continued to see an effect on demand from China, accounting for a two percentage-point reduction in occupancy compared to 2019/20. To mitigate the challenges posed by the pandemic, we offered international students needing to isolate on arrival in the UK the opportunity to arrive at their accommodation up to three weeks early at no extra cost. We continue to monitor international travel closely and expect an increase in the number of international students travelling to the UK for the 2022/23 academic year.

**Return to rental growth**

Annual rents increased by 2.3% on a like-for-like basis for 2021/22 (2020/21: (0.6)%), reflecting increases of 1.2% through nomination agreements and 3.3% average increases in direct-let rents. Occupancy was broadly consistent across our wholly owned portfolio, USAF and LSAV.

| 2020/21 rental growth and occupancy | Rental growth[1] | Occupancy[2] |
|---|---|---|
| Nomination agreements | 1.2% | |
| Direct let | 3.3% | |
| **Total** | **2.3%** | **94%** |

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

We have maintained a high proportion of income let to universities, with 37,359 beds sold (51% of total) for 2021/22 under nomination agreements (2020/21: 39,250 and 53%). The slight reduction in the number of beds under nomination agreements reflects the decision of some universities not to renew rolling single-year agreements in light of uncertainty over student numbers and occupancy created by Covid-19.

62% of our nomination agreements, by income, are multi-year and therefore benefit from annual fixed or inflation-linked uplifts based on RPI or CPI. These agreements are expected to secure average annual rental growth of 4% in 2022/23 based on current levels of inflation and contractual caps on RPI/CPI-linked rental increases. The remaining agreements are single year, and we achieved a renewal rate of 74% on these agreements for 2020/21 (2020/21: 76%).

Enhanced service levels and our extensive understanding of student needs have resulted in longer-term and more robust partnerships with universities over recent years. The unexpired term of our nomination agreements is 6.7 years, up from 6.4 years in 2020/21. We expect the share of beds let under nomination agreements to increase to around 55% over the next two years and have recently secured new multi-year agreements to let 1,000 beds to two Russell Group universities from the 2022/23 academic year.

A balance of nomination agreements and direct-let beds provides the benefit of having income secured by universities, as well as the ability to offer rooms to re-bookers and postgraduates and determine market pricing on an annual basis.

| Agreement length | Beds 2021/22 | Beds 2020/21 | % Income 2021/22 |
|---|---|---|---|
| Single year | 14,529 | 17,709 | 38% |
| 2-5 years | 7,754 | 5,748 | 22% |
| 6-10 years | 6,034 | 6,873 | 17% |
| 11-20 years | 6,608 | 6,724 | 17% |
| 20+ years | 2,434 | 2,196 | 6% |
| **Total** | **37,359** | **39,250** | **100%** |

UK students account for 70% of our customers for 2021/22 (2020/21: 66%), making up a large proportion of the beds under nomination agreements with universities. In addition, 25% and 5% of our customers come from non-EU and EU countries respectively (2020/21: 25% and 9%), reflecting the relative appeal of our hassle-free product when compared with alternatives in the private-rented sector. Our proactive decision to increase sales to UK customers has offset a reduction in demand from EU customers following Brexit.

Re-bookers accounted for 20% of our direct-let bookings for the 2021/22 year (2020/21: 25%) reducing our exposure to less predictable 1st year undergraduate customers. Postgraduates now make up 25% of our direct-let customer base, driven by strong growth in UK postgraduate numbers and increasing awareness of the benefits of PBSA.

### Positive outlook for 2022/23

Reservations for the 2022/23 academic year are progressing positively with 67% of rooms now sold (2021/22: 60%, 2020/21: 73%). We expect strong student demand for 2022/23 from both domestic and international students, but anticipate a slightly later sales cycle for international students than in a typical year due to uncertainty relating to Covid-19. As a result, we have increased our focus on retaining existing direct-let customers, which has led to an increased share of sales to re-bookers.

Applications data for the 2022/23 academic year is encouraging, with total applications broadly in line with record levels in 2021/22 (-1%) and 7% ahead of pre-pandemic demand in 2020/21. This reflects a 5% increase in applications by UK school leavers, who represent one of our largest customer groups, driven by a record application rate of 43.4% (2020/21: 42.6%) and demographic growth. Demand is also strong from our other key customer demographic of non-EU students. Non-EU applications are 5% higher year-on-year, reflecting strong demand from China and India as well as less mature markets such as Nigeria, offsetting a further reduction in demand from EU students following Brexit.

Current reservations under nomination agreements deliver 50% occupancy (2021/22: 51%). Discussions are ongoing with universities over potential additional demand once they have greater visibility on student numbers, which we expect to increase occupancy from nomination agreements towards our target of 55%.

Direct-let reservations account for the remaining 17% of reserved occupancy, which is significantly ahead of the same point last year, thanks to an increase in UK re-bookers and international sales.

This is supportive of our guidance for full occupancy and rental growth of 3.0-3.5% for the 2022/23 academic year.

**Delivering for our customers**

Our best-in-class operating platform continues to drive both service enhancements and operational efficiency. We are committed to investing in an enhanced student experience that delivers value-for-money for students and supports our purpose of creating a Home for Success. This includes a segmented product offering, tailoring student activities and community building alongside improvements to our MyUnite app, our Resident Ambassador programme and the provision of student welfare services.

*Enhancements to our student experience*

During 2021, we have focused on using data and insight to deliver an enhanced student experience across the academic year tailored to the communities in each property. Insight was drawn from both an applicant survey of 1,000 prospective students to gauge the sentiment of the new cohort and from data shared directly by our customers ahead of their arrival regarding their preferences, interests, hopes and fears.

Key themes were both a desire for, and a fear of, meeting new people and making friends, the need for support in finding part-time work, and advice and support regarding wellbeing and life skills for independent living. Peer-to-peer support and engagement was also a high priority. We responded by increasing our Resident Ambassador programme through recruitment of over 190 paid student ambassadors, who have provided support and organised events based on the community's needs.

A series of events was held for our city teams during the summer months to ensure a great welcome and arrival experience for the class of 2021/22. The teams generated over 1,900 ideas to tailor and improve the student experience during the crucial first six weeks of the new term, leading to our highest ever net promoter score in our autumn student survey (+39) and a significant improvement in reviews on Trustpilot.

As part of our evolving approach to customer segmentation, trials were conducted in seven properties to define our offer for postgraduate students for the 2021/22 academic year. The look and feel, amenity spaces and student experience were all enhanced, based on our student insight, which delivered increased occupancy, rental income and some of the highest net promoter scores in the portfolio. The postgraduate offer has been extended for the 2022/23 sales cycle, with further refinements included. Our refurbishment and extension of Kincardine Court in Manchester, due for delivery this September, is also being tailored to postgraduate students based on the smaller flat sizes available.

A number of digital experience enhancements were delivered during 2021 aimed at allowing students to increasingly self-serve and to allow our property teams to deliver service in the moment. These included a new, multilingual, dynamic FAQ tool, allowing customers to submit questions in any language.

In February 2021, we launched a new group booking tool and marketing campaign to target groups of students who might otherwise look to house share in the private-rented sector. This function generated £11 million of sales to domestic returning students, further supporting our capture of market share from the HMO sector.

Students often wish to book a specific room and we are in the process of rolling out a room selector tool, which enables our students to browse the available rooms in a property, review the details and select a specific room which best meets their requirements. When room selector is used, there has been a 35% increase in conversion rate compared to other web-based sales. We have also enhanced our technology and processes to facilitate easier room moves by students if they are not satisfied with their allocated rooms or flats.

*Health, safety and wellbeing*

All our properties have remained open and operational throughout the pandemic, and we continue to employ a range of measures in our buildings to reduce transmission of Covid-19, where possible. This includes enhanced cleaning and physical and social distancing measures, as well as offering support to those students needing to self-isolate.

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

PROPERTY REVIEW

## EPRA NTA growth

EPRA NTA per share increased by 8% to 882p at 31 December 2021 (31 December 2020: 818p) with IFRS net assets per share up 9% to 880p (31 December 2020: 809p). In total, EPRA NTA were £3,532 million at 31 December 2021, up from £3,266 million a year earlier.

### Summary balance sheet (Unite share basis)

| | 31 December 2021 | | | 31 December 2020 | | |
|---|---|---|---|---|---|---|
| | Wholly owned £m | Share of Fund/JV £m | Total £m | Wholly owned £m | Share of Fund/JV £m | Total £m |
| Rental properties | 3,323 | 1,542 | 4,865 | 3,615 | 1,278 | 4,893 |
| Rental properties (leased) | 98 | - | 98 | 102 | - | 102 |
| Properties under development | 324 | - | 324 | 187 | - | 187 |
| Total property | 3,745 | 1,542 | 5,287 | 3,904 | 1.278 | 5,182 |
| Net debt | (1,030) | (492) | (1,522) | (1,326) | (416) | (1,742) |
| Lease liability | (94) | - | (94) | (96) | - | (96) |
| Other assets/(liabilities) | (107) | (32) | (139) | (40) | (38) | (78) |
| **EPRA net tangible assets** | **2,514** | **1,018** | **3,532** | **2,442** | **824** | **3,266** |
| **IFRS NAV** | **2,510** | **1,018** | **3,528** | **2,412** | **823** | **3,235** |
| *LTV* | | | *29%* | | | *34%* |

The main drivers of the 64p per share increase in EPRA NTA per share were the increase in the value of the Group's share of investment assets due to rental growth, higher occupancy and modest yield compression. In addition, the EPRA NTA movement reflects development surpluses, recognition of the remaining LSAV performance fee and a further provision for the replacement of HPL cladding.

| | £m | Diluted pence per share |
|---|---|---|
| **EPRA NTA as at 31 Dec 2020** | **3,266** | **818** |
| Rental growth | 72 | 18 |
| Yield movement | 107 | 27 |
| Cladding provision | (23) | (6) |
| Development surplus | 50 | 13 |
| LSAV performance fee | 42 | 10 |
| Swap cancellation and debt break fees | (4) | (1) |
| Disposals and associated transaction costs | (21) | (5) |
| Retained profits/other | 43 | 8 |
| **EPRA NTA as at 31 Dec 2021** | **3,532** | **882** |

IFRS net assets increased by 9% in the year to £3,527.8 million (31 December 2020: £3,234.9 million), principally driven by positive revaluation movements, further recognition of the LSAV performance fee and retained profits. On a per share basis, IFRS NAV increased by 9% to 880p.

The movement in other assets and liabilities in 2021 was due to an increase in deferred income, arising from higher occupancy, an increase in accruals and provisions for cladding remediation works and settlement of the LSAV performance fee.

### Total accounting return

Growth in EPRA NTA was the key component of the 10.2% total accounting return delivered in the year (2020: (3.4)%), alongside dividends paid of 19.25p (2020: nil).

We are targeting delivery of attractive total accounting returns of 8.5-10% through a balance of recurring income and capital growth. This includes allowance for £1,000/bed p.a. of investment into protective capex for lifecycle maintenance, improvements in environmental performance and cladding remediation. Our balance sheet already provides for all committed spend on fire safety improvements and we will make future investments, as required, to ensure our buildings remain compliant and safe to occupy.

In 2022, we expect total accounting return to be at the top end of this range due to growth in recurring earnings, rental growth and development surpluses from a number of significant planning milestones. Our guidance does not include any impact from movements in property yields in the year.

### Property portfolio

The valuation of our property portfolio at 31 December 2021, including our share of gross assets held in USAF and LSAV, was £5,287 million (31 December 2020: £5,182 million). The £105 million increase in portfolio value (Unite share) was principally attributable to a valuation surplus of £211 million on the investment and development portfolios, capital expenditure of £144 million and disposals of £246 million.

Our property portfolio saw a 5.2% increase in valuations on a like-for-like basis during the year (Unite share: 4.6%). Just under half of the increase was driven by yield compression, particularly in London and other prime regional markets. The remaining increase was split broadly evenly between rental growth and the unwinding of deductions relating to Covid-19 as occupancy recovered.

The see-through net initial yield of the portfolio was 4.9% at 31 December 2021 (December 2020: 5.0%). This reflected reductions in property yields for the wholly-owned portfolio, USAF and LSAV of 9 basis points (11 basis points and 23 basis points respectively).

LSAV's predominantly London-based portfolio saw the strongest valuation performance in the year, reflecting more significant yield compression in London and partial realisation of reversion potential on certain assets approaching the end of nomination agreements.

*Breakdown of like-for-like capital growth*

| £m | 31 Dec 2021 valuation | Yield compression | Occupancy recovery | Rental growth /other | LfL capital growth |
|---|---|---|---|---|---|
| Wholly owned | 3,323 | 49 | 39 | 22 | 110 |
| LSAV | 1,819 | 70 | 17 | 51 | 138 |
| USAF | 2,867 | 58 | 57 | 12 | 127 |
| **Total (Gross)** | **8,009** | **177** | **113** | **85** | **375** |
| **Total (Unite share)** | **4,865** | | | | **207** |
| | | | | | |
| **% capital growth** | | | | | |
| Wholly owned | | 1.5% | 1.2% | 0.7% | 3.4% |
| LSAV | | 5.2% | 1.3% | 3.9% | 10.4% |
| USAF | | 2.1% | 2.1% | 0.4% | 4.6% |
| **Total (Gross)** | | **2.4%** | **1.6%** | **1.2%** | **5.2%** |
| **Total (Unite share)** | | | | | **4.6%** |

The proportion of the property portfolio that is income generating is 94% by value, down from 96% at 31 December 2020. Properties under development have increased to 6% of our property portfolio by value (31 December 2020: 4%), following resumption of development activity in the year and new commitments to deliveries in 2023. Our development pipeline carries greater operational risk than the income generating portfolio but delivers attractive risk-adjusted returns, which we expect to materially contribute to the Group's future earnings growth.

The investment portfolio is 35% weighted to London by value on a Unite share basis, which will rise to 44% on a built-out basis following completion of our secured development pipeline.

**Unite investment portfolio analysis at 31 December 2021**

| | | Wholly owned | USAF | LSAV | Lease | Total | Unite share |
|---|---|---|---|---|---|---|---|
| London | Value (£m) | 849 | 425 | 1,545 | 16 | 2,835 | 1,733 |
| | *Beds* | 2,882 | 1,863 | 6,649 | 260 | 11,654 | 35% |
| | *Properties* | 10 | 6 | 14 | 1 | 31 | |
| Prime regional | Value (£m) | 993 | 692 | - | 24 | 1,709 | 1,169 |
| | *Beds* | 7,645 | 5,337 | - | 618 | 13,600 | 24% |
| | *Properties* | 17 | 18 | - | 2 | 37 | |
| Major regional | Value (£m) | 1,264 | 1,511 | 274 | 28 | 3,077 | 1,762 |
| | *Beds* | 17,721 | 19,403 | 3,067 | 753 | 40,944 | 35% |
| | *Properties* | 36 | 47 | 1 | 2 | 86 | |
| Provincial | Value (£m) | 217 | 239 | - | 30 | 486 | 299 |
| | *Beds* | 3,730 | 2,920 | - | 1,059 | 7,709 | 6% |
| | *Properties* | 8 | 7 | - | 3 | 18 | |
| **Total** | **Value (£m)** | **3,323** | **2,867** | **1,819** | **98** | **8,107** | **4,962** |
| | *Beds* | 31,978 | 29,523 | 9,716 | 2,690 | 73,907 | 100% |
| | *Properties* | 71 | 78 | 15 | 8 | 172 | |
| **Unite ownership share** | | 100% | 22% | 50% | 100% | | |
| | **Value (£m)** | **3,323** | **632** | **910** | **98** | **4,962** | |

**Development and university partnership activity**

Development and university partnership activity continues to be a significant driver of growth in future earnings and NTA and is aligned to our strategic focus on high and mid-ranked universities. Our pipeline of traditional development and university partnerships includes 5,956 beds, with a total development cost of £967 million, of which 3,661 beds or 77% by development cost will be delivered in central London.

We continue to identify new development and university partnership opportunities that deliver our target returns in both London and the regions. We expect to add to our pipeline during 2022 and maintain a run-rate of c.1,500-2,000 new beds p.a.

The anticipated yield on cost of this secured pipeline is 6.2%. Prospective returns on new direct-let schemes remain attractive at around 7.5-8.0% in provincial markets. We have lower hurdle rates for developments that are supported by universities or where another developer is undertaking the higher-risk activities of planning and construction. The London Plan requires student accommodation to secure a nomination agreement with one or more universities for the majority of rooms, meaning we expect new London developments to be delivered as university partnerships, with development yields of around 6.0%. University partnerships make up around 83% by value of our secured development pipeline.

*2022 completions*

We are due to complete £231 million of development, representing 1,351 new beds, for the 2022/23 academic year at our schemes at Middlesex Street in London and Campbell House in Bristol. Development is on track across both sites from a programme, cost and letting perspective.

Campbell House is let to the University of Bristol under a 15-year nomination agreement. We are in advanced negotiations with a high-tariff university partner for a 5-year nomination agreement at our Middlesex Street scheme for approximately two-thirds of the total beds. Middlesex Street will be a landmark asset for the business, becoming our highest value property across the Group.

*2023 completions*

During the year, we received planning consent for an enlarged 700-bed development at Derby Road in Nottingham, due for completion for the 2023/24 academic year, which is located adjacent to the University of Nottingham campus. We were successful in securing additional beds for the scheme through the planning process, resulting in total development costs of £58 million. The scheme will deliver a development yield of 8%.

The development will target a BREEAM Excellent rating and net zero carbon in operations through optimised design, integration of solar panels at roof level and an all-electric heating solution, including high efficiency air-source heat pumps. The development will also deliver a substantial biodiversity improvement through opening and improving access to the River Leen.

*Development pipeline*

There remains widespread acknowledgement from local authorities of the need for new PBSA supply to address growing student numbers and relieve pressure on housing supply. Universities also remain willing to support our planning applications as a means of delivering the high-quality, affordable accommodation required to deliver their growth ambitions. However, we have experienced delays in the planning process as a result of the pandemic which have put pressure on delivery timelines for some of the schemes in our pipeline.

We continue to make progress on our London development pipeline, with two significant new schemes secured over the past 12 months. Our total secured London pipeline includes 3,661 beds and a total development cost of £740m. In total, we expect these schemes to contribute 63p of development surplus by completion and materially contribute to growing our quality of earnings once let.

During the year, we submitted a planning application for our 768-bed scheme at Paddington in central London, which we now expect to deliver for the 2024/25 academic year. We also exchanged contracts to acquire a c.1,000-bed development site in Stratford, East London, on a subject-to-planning basis. Total development costs are estimated to be c.£160 million, with the scheme targeted for delivery for the 2025/26 academic year, subject to planning approval. The development will be delivered as a university partnership, delivering a development yield in line with our targets in London, and will help to serve the growing cluster of universities with campuses in the area. Both UCL and University of the Arts London are developing new campuses in Stratford, which are due to bring a further 10,500 full-time students to the area. The site adds to our two existing operational assets in Stratford, providing opportunities to segment our customer base, including a more tailored offer for postgraduates.

In January 2022, we added a further 270-bed scheme to our pipeline in Nottingham city centre. The newly acquired site is located in a prime location on Lower Parliament Street in the heart of the city centre, close to Nottingham Trent University's campus as well as the University of Nottingham's planned city centre campus development for final year and postgraduate students.

In February 2022, we exchanged contracts to acquire a 700-bed development site in East London on a subject-to-planning basis. The scheme is targeted for delivery for the 2026/27 academic year, subject to vacant possession and planning approval, and will target a long-term nomination agreement with one of the Group's existing university partners in London. The development, which is located in a prime location close to transport links and university campuses, will increase the Group's operational scale in East London.

In addition to our secured pipeline, we continue to progress a number of further development opportunities in London and prime regional markets at attractive returns.

*Development costs*

We are seeing some upward pressure on build costs, which typically account for 50-70% of our total development costs, reflective of supply chain pressures in securing materials and a reduced supply of EU labour post-Brexit. We anticipate build cost inflation of 3-5% over the next 12 months.

As part of our commitment to become a net zero business, we are targeting a 48% reduction in the embodied carbon of our developments by 2030. Building to a net zero standard is expected to result in small increases in construction costs. However, we expect this cost increase to be reflected in reduced land pricing over time and ultimately rewarded through a valuation premium for more sustainable buildings.

Development costs are already fixed for our 2022 completions through design and build contracts. We have recently procured the build contracts for our 2023 delivery at Derby Road in Nottingham, which reflects recent inflation in materials and labour costs as well as incorporating low-carbon construction methods where possible. We expect that the combination of inflation and environmental enhancements will result in a reduction in our forecast yield on cost of c.10-20 basis points on deliveries in 2024 and 2025 compared to initial underwriting assumptions.

Despite current cost pressures, we continue to see opportunities to add to our development pipeline at attractive returns and will factor this expected inflation into our appraisal of future schemes.

*University partnerships pipeline*

We continue to make progress with our strategy of delivering growth through strategic partnerships with universities where student numbers are growing fastest. Reflecting the financial and operational constraints faced by universities, there is a growing appetite for partnerships. We see opportunities to capitalise on our brand and the goodwill created by our response to Covid-19 to accelerate and enhance our pipeline of university partnerships.

We intend to deliver our three London schemes as university partnerships, in line with requirements in the new London Plan for the majority of new beds to be leased to a HE provider. The developments will help to meet the growing need for high-quality, purpose-built student accommodation in London and will incorporate a range of design features to reduce its embodied and operational carbon. We have secured planning support for the schemes from university partners and discussions are already underway with a view to agreeing a long-term nomination agreement.

In addition, we are in active discussions with a range of high-quality universities for new partnerships, which we are looking to progress over the next 12-18 months. We also continue to make progress with a significant further pipeline of medium-term opportunities.

## Secured development and partnerships pipeline

| | Target delivery | Secured beds No. | Total completed value £m | Total development costs £m | Capex in period £m | Capex remaining £m | Forecast NAV remaining £m | Forecast yield on cost % |
|---|---|---|---|---|---|---|---|---|
| Direct-let development | | | | | | | | |
| Derby Road, Nottingham | 2023 | 700 | 84 | 58 | 11 | 45 | 17 | 8.0% |
| Abbey Lane, Edinburgh | 2024 | 298 | 33 | 24 | 1 | 21 | 9 | 8.3% |
| Wyvil Road, London[1] | 2024 | 265 | 75 | 60 | - | 41 | 18 | 6.2% |
| Lower Parliament Street, Nottingham | 2024 | 270 | 43 | 34 | - | 34 | 9 | 7.0% |
| **Total Wholly Owned** | | **1,533** | **235** | **176** | **12** | **141** | **53** | **7.2%** |
| Long-term university agreements | | | | | | | | |
| Middlesex Street, London | 2022 | 920 | 296 | 187 | 51 | 34 | 29 | 6.0% |
| Campbell House, Bristol | 2022 | 431 | 63 | 44 | 12 | 7 | 8 | 6.2% |
| Temple Quarter, Bristol[1] | 2024 | 596 | 85 | 67 | 1 | 64 | 18 | 6.2% |
| TP Paddington, London[1] | 2024 | 768 | 203 | 156 | 3 | 151 | 48 | 6.0% |
| Stratford, East London[1] | 2025 | 1,008 | 251 | 160 | - | 158 | 92 | 6.3% |
| East London[1] | 2026 | 700 | 241 | 177 | - | 177 | 63 | 5.4% |
| **Total university partnerships** | | **4,423** | **1,139** | **791** | **67** | **591** | **258** | **6.0%** |
| **Total pipeline** | | **5,956** | **1,374** | **967** | **79** | **732** | **311** | **6.2%** |

[1] Subject to obtaining planning consent

## Asset management

In addition to our development activity, we see significant opportunities to create value through asset management projects in our estate. Our customer base is currently dominated by 1st year and international students, but we see opportunities to segment our portfolio to better address the needs of returning and postgraduate students. These opportunities will be particularly focused on those cities where we have gained additional scale through our acquisition of Liberty Living. This activity will consider upgrades to the specification of our buildings and amenity spaces, as well as incorporating investments to improve energy and carbon performance.

These asset management projects typically have shorter lead times than new developments (often carried out over the summer period) and have the potential to deliver attractive risk-adjusted returns. We intend to invest £35-50 million p.a. into such opportunities, delivering uplifts to rental income equivalent to an additional 0.5-1.0% of annual rental growth across the Group portfolio.

During 2021, we committed to three asset management schemes in Manchester. Investment across the three projects is £42 million in aggregate, which is expected to deliver a 7% yield on cost. The projects will deliver new accommodation, refurbish existing rooms and enhance the environmental performance of the underlying assets. The upgraded assets will support our segmentation strategy, with new specification and service tailored to the postgraduate market.

### Disposal activity

We continue to manage the quality of the portfolio and our balance sheet leverage by recycling capital through disposals and reinvesting into developments and acquisitions of assets aligned to the best universities.

During the year, the Group contracted £261 million of disposals on a Unite share basis. This included a £133 million (Unite share: £90 million) portfolio of eight assets in Coventry, Wolverhampton, Birmingham, Exeter and Manchester to Aventicum at a 6.5% yield and a 2% discount to book value. Completion occurred during the year for seven of the assets, with the sale of the remaining property in Manchester completing early in 2022. In June, we completed the sale of two London assets in Whitechapel and Wembley to LSAV for £342 million (Unite share: £171 million) at a 4.0% yield and in line with book value.

As part of our ongoing portfolio optimisation, we are in negotiations to sell a c.£235 million portfolio (Unite share) during the first half of 2022, which has been treated as held for sale in our year-end balance sheet.

Following these disposals, we will have largely completed the disposal programme set out at the time of our acquisition of Liberty Living in 2019. These disposals have helped to increase the alignment of our portfolio to the strongest university cities and our ability to sustain rental growth over a longer time horizon. Following our planned portfolio sale in 2022, we expect disposals to reduce to a lower level.

## FINANCIAL PERFORMANCE

### Income statement

The performance of the business has continued to be impacted by the Covid-19 pandemic during 2021 through lower occupancy, principally as a result of lower demand from international students, and rental discounts offered to students during national lockdowns.

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

| | 2021<br>£m | 2020<br>£m |
|---|---|---|
| **Adjusted earnings** | **110.1** | **91.6** |
| LSAV performance fee | 41.9 | 5.7 |
| **EPRA earnings** | **152.0** | **97.3** |
| Valuation gains/(losses) and loss on disposal | 182.2 | (178.8) |
| Changes in valuation of interest rate swaps and debt break costs | 6.7 | (35.9) |
| Non-controlling interest and other items | 2.2 | (2.7) |
| **IFRS profit/(loss) before tax** | **343.1** | **(120.1)** |
| Adjusted earnings per share | 27.6p | 24.0p |
| IFRS basic earnings per share | 85.9p | (31.8)p |

The profit before tax of £343.1 million (2020: £120.1 million loss) includes adjusted earnings of £110.1 million (2020: £91.6 million) and the £41.9 million performance fee received in respect of LSAV performance (2020: £5.7 million). Valuation gains and losses on disposal of £182.2 million (2020: £178.8 million loss), reflecting recovery of the income shortfall resulting from Covid-19, as well as £6.7 million of gains associated with changes in the valuation of interest rate swaps (2020: £35.9 million costs).

### Cash flow and net debt

The Operations business generated £108.1 million of net cash in 2021 (2020: £57.3 million) and see-through net debt reduced to £1,522 million (2020: £1,742 million). The key components of the movement in see-through net debt were:

- Disposal proceeds of £241 million
- Operational cash flow of £114 million on a see-through basis
- Receipt of the LSAV performance fee of £53 million
- Total capital expenditure of £101 million
- Dividends paid of £65 million
- A £22 million outflow for other items including lease payments and swap cancellation fees

In 2022, we expect see-through net debt to increase as planned capital expenditure on investment and development activity will exceed anticipated asset disposals.

**Debt financing and liquidity**

As at 31 December 2021, the wholly-owned Group had £421 million of cash and debt headroom (31 December 2020: £379 million), comprising of £96 million of drawn cash balances and £325 million of undrawn debt (2020: £329 million and £50 million respectively).

The Group maintains a disciplined approach to managing leverage, with LTV reducing to 29% at 31 December 2021 (31 December 2020: 34%). The reduction in LTV during the year was primarily driven by proceeds from property disposals, the impact of valuation gains and the receipt of the LSAV performance fee, which more than offset the impact of capital expenditure in the period. We intend to dispose of £200-250 million of assets in 2022 (Unite share basis) to fund our development activity and manage our LTV target to 35% on a built-out basis. The level of disposals going forward will be lower than recent years, following delivery of asset sales planned following our acquisition of Liberty Living.

With greater focus on the earnings profile of the business, we are continuing to monitor our net debt to EBITDA ratio, which we target to return to 6-7x over the medium term. The improvement in net debt to EBITDA in the year to 8.3x (2020: 10.1x) reflects the improved operational performance of the business and the reduction in gearing during the year.

During the year, the Group refinanced and extended its £450 million revolving credit facility (RCF) with HSBC, NatWest and Royal Bank of Canada. The facility has an initial term of 3.5 years, which may be extended by a maximum of a further two years at Unite’s request, subject to lender consent. The RCF incorporates three sustainability-linked performance targets linked to reductions in scope 1 and 2 carbon emissions, improvements in EPC certifications and investments in social impact initiatives.

The Group published its Sustainable Finance Framework during the year. The framework sets up the criteria for financing projects through sustainable bonds, loans and other debt products. Underlying projects have a positive environmental and/or social impact, thereby contributing to the United Nations Sustainable Development Goals, while supporting the company’s business strategy. These include green buildings, projects aimed at improving the energy efficiency of our properties and renewable energy as well as social initiatives including the provision of affordable housing, financial support for students through the Covid-19 pandemic and projects aimed at widening participation in post-18 education.

The Unite Group has maintained investment grade corporate ratings of BBB from Standard & Poor’s and Baa2 from Moody’s, reflecting Unite’s robust capital position, cash flows and track record. During the year, Moody's upgraded the Group's credit outlook from Stable to Positive, and Standard & Poor's upgraded from Negative to Stable, following recovery from the impact of Covid-19.

*Interest rate hedging arrangements and cost of debt*

Our average cost of debt based on current drawn amounts has reduced to 3.0% (31 December 2020: 3.1%). The Group has 90% of investment debt subject to a fixed or capped interest rates (31 December 2020: 75%), providing protection against future changes in interest rates. The repayment of amounts drawn from our RCF, as confidence in trading recovered from Covid-19, resulted in an increase in the average term and hedge ratio on our investment debt.

Our average debt maturity is 5.0 years (31 December 2020: 4.2 years) and we will continue to proactively manage our debt maturity profile, diversify our lending base and seek to lock into longer-term debt at rates below our current average cost of debt. Borrowings for the combined Group are well diversified across lenders and maturities and we are in the process of refinancing LSAV debt due to expire this year.

During the period, we published our Sustainable Finance Framework, aligned to our new Sustainability Strategy, which will enable future sustainable debt issuance and provide the opportunity to further diversify our sources of debt.

| Key debt statistics (Unite share basis) | 31 Dec 2021 | 31 Dec 2020 |
|---|---|---|
| See-through net debt | £1,522m | £1,742m |
| LTV | 29% | 34% |
| Net debt:EBITDA ratio | 8.3 | 10.1 |
| Interest cover ratio | 2.8 | 2.5 |
| Average debt maturity | 5.0 years | 4.2 years |
| Average cost of debt | 3.0% | 3.1% |
| Proportion of investment debt at fixed rate | 90% | 75% |

**Dividend**

We are proposing a final dividend payment of 15.6p per share (2020: 12.75p), making 22.1p for the full year (2020: 12.75p). The final dividend will be fully paid as a Property Income Distribution (PID) of 15.6p, which we expect to fully satisfy our PID requirement for the 2021 financial year.

This represents a payout ratio of 80% of adjusted EPS for FY2021, which will remain our target dividend payout ratio going forwards.

Subject to approval at Unite's Annual General Meeting on 12 May 2022, the dividend will be paid in either cash or new ordinary shares (a "scrip dividend alternative") on 20 May 2022 to shareholders on the register at close of business on 19 April 2022. The last date for receipt of scrip elections will be 4 May 2022.

During 2021, scrip elections were received for 17.8% and 2.4% of shares in issue for the 2020 final dividend and 2021 interim dividend respectively. Further details of the scrip scheme, the terms and conditions and the process for election to the scrip scheme are available on the Company's website.

### Tax and REIT status

The Group holds REIT status and is exempt from tax on its property business. During the year, we recognised a corporation tax credit of £2.8 million (2020: £2.0 million charge), relating primarily to a £2.3 million tax credit in respect of prior years (2020: £0.3 million).

The Government has confirmed that it does not expect purpose-built student accommodation to be subject to the Residential Property Developer Tax, aimed at funding remediation of cladding defects.

### Funds and joint ventures

The table below summarises the key financials at 31 December 2021 for our co-investment vehicles.

| | Property Assets £m | Net debt £m | Other assets £m | Net assets £m | Unite share of NAV £m | Total return | Maturity | Unite share |
|---|---|---|---|---|---|---|---|---|
| USAF | 2,867 | (806) | (105) | 1,956 | 431 | 8.9% | Infinite | 22% |
| LSAV | 1,819 | (628) | (18) | 1,173 | 587 | 19.9% | 2032 | 50% |

USAF and LSAV have delivered a strong performance in the year, despite the challenging environment resulting from Covid-19. USAF's total returns reflect the payment of distributions retained from 2020 which, if excluded, decrease the effective total return of the fund to 6.9%. LSAV's stronger underlying total return reflects a greater increase in property valuations over the year, due to yield compression in London.

USAF is a high-quality, large-scale portfolio of 29,500 beds in leading university cities. The fund has positive future prospects through rental growth and investment opportunities in asset management initiatives, forward funds and targeted acquisitions. Unite is currently engaging with unitholders in its role as fund manager to determine the best way to fund both USAF's ongoing capital requirements and continued growth. Unite is currently considering increasing its investment in USAF, either by way of a purchase of secondary units or subscription to new equity, subject to availability of units and pricing. This will provide an additional route for Unite to gain access to high-quality income producing assets.

USAF reinstated distributions in April, having suspended them in 2020 to preserve cash in response to Covid-19. The secondary market for USAF units continues to operate effectively, with £52 million of units trading in 2021 at a 2% average discount to NAV.

During the year, Unite extended the LSAV joint venture with GIC for a further 10 years to 2032. Unite will be entitled to receive a performance fee from LSAV equivalent to 12.5% of returns in excess of 8% p.a. in the period from 2021 to 2032. Unite will continue to act as property and asset manager for the duration of the new joint venture on existing terms and fee levels.

**Fees**

During the year, the Group recognised net fees of £15.9 million from its fund and asset management activities (2020: £14.0 million). The increase was driven by the recovery in NOI and growth in asset valuations as a result of yield compression and Covid-19 disruption unwinding.

Following the quarterly LSAV valuation at 30 September 2021, Unite received a payment of £53 million from GIC in full settlement of the LSAV performance fee due from 2012-2021, with £41.9 million being recognised in the year, representing the balancing amount not previously recognised in 2019 and 2020. The increase in the fee was due primarily to the strong performance of valuations in LSAV in 2021 and the certainty created by the extension of the joint venture.

| | 2021<br>£m | 2020<br>£m |
|---|---|---|
| USAF asset management fee | 12.0 | 10.7 |
| LSAV asset and property management fee | 3.9 | 3.3 |
| LSAV performance fee | 41.9 | 5.7 |
| **Total fees** | **57.8** | **19.7** |

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

We confirm that to the best of our knowledge:

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

| | |
|---|---|
| Richard Smith | Joe Lister |
| Chief Executive Officer | Chief Financial Officer |

23 February 2022

**Forward-looking statements**

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

## INTRODUCTION AND TABLE OF CONTENTS

These financial statements are prepared in accordance with IFRS. The Board of Directors also present the Group's performance on the basis recommended for real estate companies by the European Public Real Estate Association (EPRA). The reconciliation between IFRS performance measures and EPRA performance measures can be found in section 2.2b for EPRA earnings and 2.3c for EPRA net tangible assets (NTA). The adjustments to the IFRS results are intended to help users in the comparability of these results across other listed real estate companies in Europe and reflect how the Directors monitor the business.

## CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2021

| | Note | 2021 £m | 2020 £m |
|---|---|---|---|
| Rental income | 2.4 | **209.0** | 196.1 |
| Other income | 2.4 | **57.9** | 19.5 |
| **Total revenue** | | **266.9** | **215.6** |
| Cost of sales | | **(64.4)** | (53.3) |
| Expected credit losses | | **(3.3)** | (8.6) |
| Operating expenses | | **(36.3)** | (34.7) |
| **Results from operating activities** | | **162.9** | **119.0** |
| Loss on disposal of property | | **(12.0)** | (1.9) |
| Net valuation gains/(losses) on property (owned and under development) | 3.1 | **116.9** | (124.2) |
| Net valuation losses on property (leased) | 3.1 | **(11.1)** | (11.2) |
| Integration costs | | **–** | (9.2) |
| **Profit/(loss) before net financing costs and share of joint venture profit/(loss)** | | **256.7** | **(27.5)** |
| Loan interest and similar charges | 4.3 | **(34.2)** | (41.9) |
| Interest on lease liability | 4.3 | **(8.5)** | (8.8) |
| Mark to market changes on interest rate swaps | 4.3 | **10.9** | (5.8) |
| Swap cancellation fair value settlements and loan break costs | 4.3 | **(4.2)** | (30.1) |
| Finance costs | | **(36.0)** | (86.6) |
| Finance income | 4.3 | **–** | 5.6 |
| **Net financing costs** | | **(36.0)** | **(81.0)** |
| Share of joint venture profit/(loss) | 3.3b | **122.4** | (11.6) |
| **Profit/(loss) before tax** | | 343.1 | **(120.1)** |
| Current tax | 2.5a | **0.9** | (1.2) |
| Deferred tax | 2.5a | **0.5** | (0.9) |
| **Profit/(loss) for the year** | | **344.5** | **(122.2)** |
| **Profit/(loss) for the year attributable to** | | | |
| Owners of the parent company | | **342.4** | (121.0) |
| Non-controlling interest | | **2.1** | (1.2) |
| | | **344.5** | **(122.2)** |
| **Profit/(loss) per share** | | | |
| Basic | 2.2c | **85.9p** | (31.8p) |
| Diluted | 2.2c | **85.7p** | (31.8p) |

All results are derived from continuing activities.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

| | Note | 2021 £m | 2020 £m |
|---|---|---|---|
| **Profit/(loss) for the year** | | 344.5 | (122.2) |
| Mark to market movements on hedged instruments | | 16.2 | (12.8) |
| Hedges reclassified to profit or loss | | (0.9) | 2.5 |
| Share of joint venture mark to market movements on hedged instruments | 3.3b | 0.6 | (0.1) |
| **Other comprehensive income/(loss) for the year** | | 15.9 | (10.4) |
| **Total comprehensive income/(loss) for the year** | | 360.4 | (132.6) |
| **Attributable to** | | | |
| Owners of the parent company | | 358.3 | (131.4) |
| Non-controlling interest | | 2.1 | (1.2) |
| | | 360.4 | (132.6) |

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

There are no tax effects on items of other comprehensive income.

## CONSOLIDATED BALANCE SHEET

| At 31 December 2021 | Note | 2021 £m | 2020 £m |
|---|---|---|---|
| **Assets** | | | |
| Investment property (owned) | 3.1 | **3,095.1** | 3,614.7 |
| Investment property (leased) | 3.1 | **97.7** | 101.8 |
| Investment property (under development) | 3.1 | **324.1** | 187.2 |
| Investment in joint ventures | 3.3b | **1,044.1** | 849.0 |
| Other non-current assets | | **18.9** | 21.9 |
| Right of use assets | | **3.6** | 4.3 |
| Deferred tax asset | 2.5d | **3.0** | 1.9 |
| **Total non-current assets** | | **4,586.5** | **4,780.8** |
| Assets classified as held for sale | 3.1 | **228.2** | – |
| Interest rate swaps | 4.2 | **6.1** | – |
| Inventories | 3.2 | **12.1** | 8.8 |
| Trade and other receivables | | **108.8** | 104.0 |
| Cash and cash equivalents | 5.1 | **109.4** | 338.3 |
| **Total current assets** | | **464.6** | **451.1** |
| **Total assets** | | **5,051.1** | **5,231.9** |
| **Liabilities** | | | |
| Interest rate swaps | 4.2 | **(3.6)** | (5.8) |
| Lease liabilities | | **(4.9)** | (4.4) |
| Trade and other payables | | **(200.7)** | (141.3) |
| Current tax liability | | **(0.1)** | (0.3) |
| Provisions | 5.3 | **(33.5)** | (15.7) |
| **Total current liabilities** | | **(242.8)** | **(167.5)** |
| Borrowings | 4.1 | **(1,162.0)** | (1,689.9) |
| Lease liabilities | | **(91.9)** | (96.7) |
| Interest rate swaps | 4.2 | **–** | (17.8) |
| **Total non-current liabilities** | | **(1,253.9)** | **(1,804.4)** |
| **Total liabilities** | | **(1,496.7)** | **(1,971.9)** |
| **Net assets** | | **3,554.4** | **3,260.0** |
| **Equity** | | | |
| Issued share capital | 4.6 | **99.8** | 99.5 |
| Share premium | 4.6 | **2,161.2** | 2,160.3 |
| Merger reserve | | **40.2** | 40.2 |
| Retained earnings | | **1,225.0** | 949.0 |
| Hedging reserve | | **1.6** | (14.1) |
| **Equity attributable to the owners of the parent company** | | **3,527.8** | **3,234.9** |
| Non-controlling interest | | **26.6** | 25.1 |
| **Total equity** | | **3,554.4** | **3,260.0** |

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2021

| | Note | Issued share capital £m | Share premium £m | Merger reserve £m | Retained earnings £m | Hedging reserve £m | Attributable to owners of the parent £m | Non-controlling interest £m | Total £m |
|---|---|---|---|---|---|---|---|---|---|
| **At 1 January 2021** | | 99.5 | 2,160.3 | 40.2 | 949.0 | (14.1) | 3,234.9 | 25.1 | 3,260.0 |
| **Profit for the year** | | – | – | – | 342.4 | – | 342.4 | 2.1 | 344.5 |
| Other comprehensive income for the year: | | | | | | | | | |
| Mark to market movements on hedged instruments | | – | – | – | – | 16.2 | 16.2 | – | 16.2 |
| Hedges reclassified to profit or loss | | – | – | – | – | (0.9) | (0.9) | – | (0.9) |
| Share of joint venture mark to market movements on hedged instruments | 3.3b | – | – | – | – | 0.6 | 0.6 | – | 0.6 |
| **Total comprehensive income for the** | | – | – | – | 342.4 | 15.9 | 358.3 | 2.1 | 360.4 |
| Shares issued | 4.6 | 0.3 | 0.9 | – | – | – | 1.2 | – | 1.2 |
| Deferred tax on share-based payments | | – | – | – | 0.3 | – | 0.3 | – | 0.3 |
| Fair value of share-based payments | | – | – | – | 2.4 | – | 2.4 | – | 2.4 |
| Own shares acquired | | – | – | – | (1.3) | – | (1.3) | – | (1.3) |
| Unwind of realised swap gain | | – | – | – | – | (0.2) | (0.2) | – | (0.2) |
| Dividends paid to owners of the parent company | 4.7 | – | – | – | (67.8) | – | (67.8) | – | (67.8) |
| Dividends to non-controlling interest | | – | – | – | – | – | – | (0.6) | (0.6) |
| **At 31 December 2021** | | 99.8 | 2,161.2 | 40.2 | 1,225.0 | 1.6 | 3,527.8 | 26.6 | 3,554.4 |

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

## STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

| | Note | 2021 £m | 2020 £m |
|---|---|---|---|
| **Net cash flows from operating activities** | 5.1 | **171.3** | **73.3** |
| **Investing activities** | | | |
| Investment in joint ventures | | – | (7.5) |
| Capital expenditure on properties | | **(95.9)** | (148.5) |
| Acquisition of intangible assets | | **(3.2)** | (2.7) |
| Acquisition of plant and equipment | | **(0.4)** | (0.7) |
| Proceeds from sale of investment property | | **307.3** | – |
| Interest received | | – | 0.1 |
| Dividends received | | **37.1** | 10.2 |
| **Net cash flows from investing activities** | | **244.9** | **(149.1)** |
| **Financing activities** | | | |
| Proceeds from the issue of share capital | | **1.1** | 294.0 |
| Payments to acquire own shares | | **(1.3)** | (0.7) |
| Interest paid in respect of financing activities | | **(47.9)** | (54.2) |
| Swap cancellation fair value settlements and debt exit costs | | **(4.2)** | (30.1) |
| Proceeds from non-current borrowings | | **147.0** | 355.1 |
| Repayment of borrowings | | **(675.0)** | (233.3) |
| Dividends paid to the owners of the parent company | | **(57.2)** | – |
| Withholding tax paid on distributions | | **(7.0)** | (3.4) |
| Dividends paid to non-controlling interest | | **(0.6)** | (0.2) |
| **Net cash flows from financing activities** | | **(645.1)** | **327.2** |
| **Net (decrease)/increase in cash and cash equivalents** | | (228.9) | **251.4** |
| Cash and cash equivalents at start of year | | **338.3** | 86.9 |
| **Cash and cash equivalents at end of year** | | **109.4** | **338.3** |

NOTES TO THE FINANCIAL STATEMENTS

## Section 1: Basis of preparation

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 December 2021 or 2020 but is derived from those accounts. Statutory accounts for 2020 have been delivered to the Registrar of Companies, and those for 2021 will be delivered in due course. The auditors have reported on those accounts; their reports were (i) unqualified (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006 in respect of the accounts for 2020 or 2021.

### Going concern

In determining the appropriate basis of preparation of the financial statements, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future.

The Directors have considered a range of scenarios for future performance through the remainder of the 2021/22 and 2022/23 academic years, with a focus on forecast liquidity and ICR covenant performance. This included a base case assuming cash collection and performance for the 2021/22 academic year remains in line with current trends and a return to 97% occupancy for the 2022/23 academic year; and a reasonable worst case scenario where income for the 2022/23 academic year was impacted by reduced sales broadly equivalent to the 2020/21 academic year where occupancy was 88%. 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. Within the tightest covenant, occupancy could fall to approximately 60% before there would be a breach.

As at the date of this report, whilst the global outlook as a result of Covid-19 is improving, it continues to be uncertain and the range of potential outcomes is significant. In particular, should the impact on trading conditions be more prolonged or severe than currently forecast by the Directors, 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 may be dependent on its ability to seek interest cover covenant waivers from its lenders. The Directors are satisfied that the possibility of such an outcome is sufficiently remote that adopting the going concern basis of preparation is appropriate.

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 authorisation of these financial statements.

## Section 2: Results for the year

### IFRS performance measures

| | Note | 2021 £m | 2020 £m | 2021 pps | 2020 pps |
|---|---|---|---|---|---|
| Profit/(loss) after tax | 2.2c | **342.4** | (121.0) | **85.9p** | (31.8p) |
| Net assets | 2.3d | **3,527.8** | 3,234.9 | **880p** | 809p |

### EPRA performance measures

| | Note | 2021 £m | 2020 £m | 2021 pps | 2020 pps |
|---|---|---|---|---|---|
| EPRA earnings | 2.2c | **152.0** | 97.3 | **38.1p** | 25.5p |
| Adjusted earnings (*) | 2.2c | **110.1** | 91.6 | **27.6p** | 24.0p |
| EPRA NTA | 2.3d | **3,532.2** | 3,266.2 | **882p** | 818p |

* See glossary for definition and note 2.2b for reconciliation to IFRS measure.

### 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 2021 and 31 December 2020 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 and adjusted earnings amend 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 2021, an alternative performance measure based on EPRA earnings, adjusted to remove the impact of the LSAV performance fee has been presented. Given the quantum of the LSAV performance fee in the year, it has been excluded from adjusted earnings to improve the comparability of results year-on-year. 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 and adjusted earnings is available in note 2.2b.

The Operations segment manages rental properties, owned directly by the Group or by joint ventures. Its revenues are derived from rental income and asset management fees earned from joint ventures. The Operations segment is the main contributor to adjusted earnings and adjusted EPS and these are therefore the key indicators which are used by the Board to monitor the Operations business.

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

### 2.2a) EPRA earnings

2021

| | Unite £m | Share of joint ventures USAF £m | LSAV £m | Group on EPRA basis Total £m |
|---|---|---|---|---|
| Rental income | 209.0 | 37.6 | 36.1 | **282.7** |
| Property operating expenses | (67.7) | (13.0) | (10.2) | **(90.9)** |
| **Net operating income** | **141.3** | **24.6** | **25.9** | **191.8** |
| Management fees | 19.1 | (3.2) | – | **15.9** |
| Overheads | (30.7) | (0.3) | (0.5) | **(31.5)** |
| Interest on lease liabilities | (8.5) | – | – | **(8.5)** |
| Net financing costs | (38.5) | (6.7) | (9.6) | **(54.8)** |
| **Operations segment result** | **82.7** | **14.4** | **15.8** | **112.9** |
| **Property segment result** | **(2.2)** | **–** | **–** | **(2.2)** |
| **Unallocated to segments** | **83.9** | **(0.2)** | **(42.4)** | **41.3** |
| **EPRA earnings** | **164.4** | **14.2** | **(26.6)** | **152.0** |
| LSAV performance fee | (84.1) | – | 42.2 | **(41.9)** |
| **Adjusted earnings** | **80.3** | **14.2** | **15.6** | **110.1** |

Included in the above is rental income of £16.3 million and property operating expenses of £8.3 million relating to sale and leaseback properties.

The unallocated to segments balance includes the fair value of share-based payments of (£2.4 million), contributions to the Unite Foundation of (£1.0 million), LSAV performance fee of £41.9 million, deferred tax credit of £0.8 million and current tax credit of £2.0 million. Depreciation and amortisation totalling £7.8 million is included within overheads.

2020

| | Unite £m | Share of joint ventures USAF £m | LSAV £m | Group on EPRA basis Total £m |
|---|---|---|---|---|
| Rental income | 196.1 | 34.2 | 32.9 | **263.2** |
| Property operating expenses | (61.9) | (12.8) | (8.2) | **(82.9)** |
| **Net operating income** | **134.2** | **21.4** | **24.7** | **180.3** |
| Management fees | 20.1 | (2.8) | (3.3) | **14.0** |
| Overheads | (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** |
| LSAV performance fee | (11.4) | – | 5.7 | **(5.7)** |
| **Adjusted earnings** | **68.3** | **11.4** | **11.9** | **91.6** |

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).

Depreciation and amortisation totalling £9.2 million is included within overheads. EPRA earnings excludes integrations costs following the acquisition of Liberty Living, which total £9.2 million in the year.

### 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 integration costs, which are included in the profit/loss reported under IFRS. EPRA earnings and adjusted earnings reconcile to the profit/(loss) attributable to owners of the parent company as follows:

| | Note | 2021 £m | 2020 £m |
|---|---|---|---|
| **Profit/(loss) attributable to owners of the parent company** | | **342.4** | **(121.0)** |
| Net valuation (gains)/losses on investment property (owned) | 3.1 | (116.9) | 124.2 |
| Property disposals (owned) | | 12.0 | 1.9 |
| Net valuation losses on investment property (leased) | 3.1 | 11.1 | 11.2 |
| Integration costs | | – | 9.2 |
| Amortisation of fair value of debt recognised on acquisition | | (4.3) | (4.3) |
| Share of joint venture (gains)/losses on investment property | 3.3b | (88.7) | 41.5 |
| Share of joint venture property disposals | 3.3b | 0.3 | – |
| Swap cancellation fair value settlements and loan break costs | 4.3 | 4.2 | 30.1 |
| Mark to market changes on interest rate swaps | 4.3 | (10.9) | 5.8 |
| Current tax relating to property disposals | | 1.1 | – |
| Deferred tax | 2.5d | 0.3 | 0.1 |
| Non-controlling interest share of reconciling items * | | 1.4 | (1.4) |
| **EPRA earnings** | 2.2a | **152.0** | **97.3** |
| LSAV performance fee | | (41.9) | (5.7) |
| **Adjusted earnings** | 2.2a | **110.1** | **91.6** |

* The 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 3.3.

### 2.2c) Earnings per share

Basic EPS is calculated using 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, EPRA EPS and adjusted EPS for the year ended 31 December 2021 and 2020 are as follows:

| | Note | 2021 £m | 2020 £m | 2021 pps | 2020 pps |
|---|---|---|---|---|---|
| **Earnings/(loss)** | | | | | |
| Basic | | **342.4** | (121.0) | **85.9p** | (31.8p) |
| Diluted | | **342.4** | (121.0) | **85.7p** | (31.8p) |
| EPRA | 2.2b | **152.0** | 97.3 | **38.1p** | 25.5p |
| Adjusted | 2.2b | **110.1** | 91.6 | **27.6p** | 24.0p |

| | 2021 | 2020 |
|---|---|---|
| **Weighted average number of shares (thousands)** | | |
| Basic | **398,742** | 381,379 |
| Dilutive potential ordinary shares (share options) | 829 | 872 |
| Diluted | **399,571** | **382,251** |

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 full year impact of the 2020 equity raise. In 2021, there were no (2020: 11,278) options excluded from the potential dilutive shares that did not affect the diluted weighted average number of shares.

### 2.3 Net assets

### 2.3a) EPRA NAV and NTA

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

| 2021 | | Share of JVs | | |
|---|---|---|---|---|
| | Unite £m | USAF £m | LSAV £m | Group on EPRA basis £m |
| Investment property (owned) * | 3,323.3 | 632.0 | 909.5 | 4,864.8 |
| Investment property (leased) | 97.7 | – | – | 97.7 |
| Investment property (under development) | 324.1 | – | – | 324.1 |
| **Total property portfolio** | **3,745.1** | **632.0** | **909.5** | **5,286.6** |
| Debt on properties | (1,139.7) | (201.0) | (336.6) | (1,677.3) |
| Lease liabilities | (93.8) | – | – | (93.8) |
| Cash | 109.4 | 23.4 | 22.7 | 155.5 |
| **Net debt** | **(1,124.1)** | **(177.6)** | **(313.9)** | **(1,615.6)** |
| Other assets and (liabilities) | (90.5) | (23.2) | (9.0) | (122.8) |
| Intangibles per IFRS balance sheet | (16.1) | – | – | (16.1) |
| **EPRA NTA** | **2,514.4** | **431.2** | **586.6** | **3,532.2** |
| **Loan to value **** | **28%** | **28%** | **35%** | **29%** |
| Loan to value post IFRS 16 | 30% | 28% | 35% | 31% |

* Investment property (owned) includes assets classified as held for sale in the IFRS balance sheet.

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

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) |
| 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.

## 2.3b) Movement in EPRA NTA during the year

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

2021

| | | | Share of joint ventures | | Group on EPRA basis |
|---|---|---|---|---|---|
| | Note | Unite £m | USAF £m | LSAV £m | Total £m |
| **Operations** | | | | | |
| Operations segment result | 2.2a | 82.7 | 14.4 | 15.8 | 112.9 |
| Add back amortisation of intangibles | | 6.1 | – | – | 6.1 |
| **Total Operations** | | **88.8** | **14.4** | **15.8** | **119.0** |
| **Property** | | | | | |
| Rental growth | | 17.4 | 4.5 | 25.8 | 47.7 |
| Yield movement | | 49.2 | 12.7 | 44.6 | 106.5 |
| Disposal losses (owned) | | (12.0) | (0.3) | – | (12.3) |
| Investment property gains (owned) * | | 54.6 | 16.9 | 70.4 | **141.9** |
| Investment property losses (leased) | 3.1a | (11.1) | – | – | (11.1) |
| Investment property gains (under development) | 3.1a | 50.3 | – | – | 50.3 |
| Pre-contract/other development costs | 2.2a | (2.2) | – | – | (2.2) |
| **Total Property** | | **91.6** | **16.9** | **70.4** | **178.9** |

| | Note | Unite £m | USAF £m | LSAV £m | Total £m |
|---|---|---|---|---|---|
| **Unallocated** | | | | | |
| Shares issued | | 1.2 | – | – | 1.2 |
| Investment in joint ventures | | (118.6) | (17.7) | 136.3 | – |
| Dividends paid | | (67.8) | – | – | (67.8) |
| LSAV performance fee | | 84.1 | – | (42.2) | 41.9 |
| Swap cancellation FV settlements and debt break costs | 4.3 | (4.2) | – | – | (4.2) |
| Acquisition of intangibles | | (3.3) | – | – | (3.3) |
| Other | | 0.7 | (0.2) | (0.2) | 0.3 |
| **Total Unallocated** | | **(107.9)** | **(17.9)** | **93.9** | **(31.9)** |
| **Total EPRA NTA movement in the year** | | **72.5** | **13.4** | **180.1** | **266.0** |
| Total EPRA NTA brought forward | | 2,441.9 | 417.8 | 406.5 | **3,266.2** |
| **Total EPRA NTA carried forward** | | **2,514.4** | **431.2** | **586.6** | **3,532.2** |

* Investment property gains (owned) includes gains on assets classified as held for sale in the IFRS balance sheet.

The £0.3 million other balance within the unallocated segment includes a tax credit of £2.8 million, the purchase of own shares of (£1.3 million) and contributions to the Unite Foundation of (£1.0 million).

2020

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

| | | | | | |
|---|---|---|---|---|---|
| **Unallocated** | | | | | |
| Shares issued | | 294.0 | – | – | 294.0 |
| Investment in joint ventures | | 2.3 | (5.7) | 3.4 | – |
| Acquisition of Liberty Living | | – | – | – | – |
| Dividends paid | | – | – | – | – |
| LSAV performance fee | | 11.4 | – | (5.7) | 5.7 |
| Joint venture property acquisition fee | | (30.1) | – | – | (30.1) |
| Swap cancellation FV settlements and debt break costs | 4.3 | (2.7) | – | – | (2.7) |
| Acquisition of intangibles | | (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** |

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 contributions to the Unite Foundation of (£1.0 million).

### 2.3c) Reconciliation to IFRS

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 NTA, NRV and NDV as follows:

2021

| | NTA £m | NRV £m | NDV £m |
|---|---|---|---|
| **Net assets reported under IFRS** | **3,527.8** | **3,527.8** | **3,527.8** |
| Mark to market interest rate swaps | (2.4) | (2.4) | – |
| Unamortised swap gain | (1.5) | (1.5) | (1.5) |
| Mark to market of fixed rate debt | – | – | (50.3) |
| Unamortised fair value of debt recognised on acquisition | 23.7 | 23.7 | 23.8 |
| Current tax | 0.7 | 0.7 | – |
| Intangibles per IFRS balance sheet | (16.1) | – | – |
| Real estate transfer tax | – | 277.5 | – |
| **EPRA reporting measure** | **3,532.2** | **3,825.8** | **3,499.7** |

2020

| | NTA £m | NRV £m | NDV £m |
|---|---|---|---|
| **Net assets reported under IFRS** | **3,234.9** | **3,234.9** | **3,234.9** |
| Mark to market interest rate swaps | 24.4 | 24.4 | – |
| Unamortised swap gain | (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 |
| Current tax | (0.4) | (0.4) | – |
| Intangibles per IFRS balance sheet | (19.0) | – | – |
| Real estate transfer tax | – | 312.0 | – |
| **EPRA reporting measure** | **3,266.2** | **3,597.2** | **3,176.0** |

### 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 NTA to monitor the performance of the Property segment on a day-to-day basis.

| | Note | 2021 £m | 2020 £m | 2021 pps | 2020 pps |
|---|---|---|---|---|---|
| Basic | | **3,527.8** | 3,234.9 | **880p** | 809p |
| EPRA NTA | 2.3a | **3,532.2** | 3,266.2 | **885p** | 820p |
| EPRA NTA (diluted) | | **3,536.1** | 3,271.0 | **882p** | 818p |
| EPRA NRV | 2.3c | **3,825.9** | 3,597.2 | **959p** | 903p |
| EPRA NRV (diluted) | | **3,829.7** | 3,601.9 | **955p** | 901p |
| EPRA NDV | | **3,499.7** | 3,176.0 | **877p** | 798p |
| EPRA NDV (diluted) | | **3,503.6** | 3,180.7 | **874p** | 796p |

| Number of shares (thousands) | 2021 | 2020 |
|---|---|---|
| Basic | 399,140 | 398,226 |
| Outstanding share options | 1,687 | 1,484 |
| **Diluted** | **400,827** | **399,710** |

### 2.4 Revenue and costs

The Group earns revenue from the following activities:

| | | Note | 2021 £m | 2020 £m |
|---|---|---|---|---|
| Rental income * | Operations segment | 2.2a | 209.0 | 196.1 |
| Management fees | Operations segment | | 16.2 | 14.0 |
| LSAV performance fee | Unallocated | | 41.9 | 5.7 |
| USAF acquisition fee | Unallocated | | – | – |
| | | | **267.1** | **215.8** |
| Impact of non-controlling interest on management fees | | | (0.2) | (0.2) |
| **Total revenue** | | | **266.9** | **215.6** |

* EPRA earnings includes £282.7 million (2020: £263.2 million) of rental income, which is comprised of £209.0 million (2020: £196.1 million) recognised on wholly owned assets and a further £73.7 million (2020: £67.1 million) from joint ventures, which is included in share of joint venture (loss)/profit in the consolidated income statement.

The LSAV performance fee was constrained in earlier years due to an inability to meet the highly probable criteria that the fee would be earned. In the year to 31 December 2021, the catch-up recognised in respect of the release of this constraint represents £36.0 million of the total £41.9 million fee recognised.

The cost of sales included in the consolidated income statement includes property operating expenses of £64.4 million (2020: £53.3 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 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 non-controlling interest.

#### 2.5a) Tax – income statement

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

| | 2021 £m | 2020 £m |
|---|---|---|
| Corporation tax on residual business income arising in UK companies | 1.0 | 1.2 |
| Income tax on UK rental income arising in non-UK companies | 0.3 | 0.3 |
| Adjustments in respect of prior periods | (2.2) | (0.3) |
| **Current tax (credit)/charge** | **(0.9)** | **1.2** |
| Origination and reversal of temporary differences | (0.2) | 0.9 |
| Effect of change in tax rate | (0.2) | (0.1) |
| Adjustments in respect of prior periods | (0.1) | 0.1 |
| **Deferred tax (credit)/charge** | **(0.5)** | **0.9** |
| **Total tax (credit)/charge in income statement** | **(1.4)** | **2.1** |

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

In the income statement, a tax credit of £1.4 million arises on a profit before tax of £343.1 million. The taxation credit that would arise at the standard rate of UK corporation tax is reconciled to the actual tax charge as follows:

| | 2021 £m | 2020 £m |
|---|---|---|
| **Profit/(loss) before tax** | **343.1** | **(120.1)** |
| Income tax using the UK corporation tax rate of 19% (2020: 19%) | 65.2 | (22.8) |
| Property rental business profits exempt from tax in the REIT Group | (18.4) | (7.4) |
| Release of deferred tax liability due to legislative change | – | 0.1 |
| Non-taxable items relating to the acquisition of Liberty Living | – | (0.8) |
| Property revaluations not subject to tax | (43.3) | 31.2 |
| Mark to market changes in interest rate swaps not subject to tax | (2.9) | 1.1 |
| Effect of indexation on investments | – | 0.7 |
| Effect of other permanent differences | 0.2 | 0.1 |
| Effect of tax deduction transferred to equity on share schemes | 0.3 | – |
| Rate difference on deferred tax | (0.2) | – |
| Prior year adjustments | (2.3) | (0.1) |
| **Total tax (credit)/charge in income statement** | **(1.4)** | **2.1** |

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.

No deferred tax asset has been recognised in respect of the Group's accumulated tax losses on the basis that they are not expected to be utilised in future periods. At 31 December 2021 these losses totalled £14.6 million (2020: £24.3 million).

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 2021 the required PID is expected to be fully paid by the end of 2022.

### 2.5b) Tax – other comprehensive income

Within other comprehensive income a tax charge totalling £nil (2020: £nil) has been recognised representing deferred tax.

### 2.5c) Tax – statement of changes in equity

Within the statement of changes in equity a tax credit totalling £0.6 million (2020: £0.1 million charge) 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:

2021

| | At 31 December 2020 £m | Charged/(credited) in income £m | Charged/(credited) in equity £m | At 31 December 2021 £m |
|---|---|---|---|---|
| Investments | – | – | – | – |
| Property, plant and machinery and provisions | (0.6) | (0.6) | – | (1.2) |
| Share schemes | (1.3) | (0.2) | (0.3) | (1.8) |
| Tax value of carried forward losses recognised | – | 0.3 | (0.3) | – |
| **Net tax (assets)/liabilities** | **(1.9)** | **(0.5)*** | **(0.6)** | **(3.0)** |

* The £0.5 million balance above includes tax movements totalling £0.2m 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 £0.3 million movement shown in note 2.2b.

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 liabilities/(assets)** | **(2.9)** | **0.9*** | **0.1** | **(1.9)** |

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

## Section 3: Asset management

### 3.1 Wholly owned property assets

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

In the Group's EPRA NTA 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. These right-of-use assets are measured 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 initially recognised at cost and are subsequently measured at fair value in the balance sheet with changes in fair value taken to the income statement.

#### iv) Investment property classified as held for sale

These are assets whose carrying amount will be recovered through a sale transaction rather than to hold for long-term rental income or capital appreciation. This condition is regarded as met only when the sale is highly probable and the investment property is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification. The assets are measured at fair value in the balance sheet, with changes in fair value taken to the income statement. They are presented as current assets in the IFRS balance sheet.

#### 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 2021 and 2020.

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 2021 are shown in the table below.

2021

| | Investment property (owned) £m | Investment property (leased) £m | Investment property (under development) £m | Total £m |
|---|---|---|---|---|
| At 1 January 2021 | **3,614.7** | **101.8** | **187.2** | **3,903.7** |
| Cost capitalised | 43.1 | 7.0 | 79.3 | **129.4** |
| Interest capitalised | – | – | 5.2 | **5.2** |
| Transfer from work in progress | – | – | 2.1 | **2.1** |
| Transfer to assets classified as held for sale | (228.2) | – | – | **(228.2)** |
| Disposals | (401.1) | – | – | **(401.1)** |
| Valuation gains | 125.6 | – | 52.3 | **177.9** |
| Valuation losses | (59.0) | (11.1) | (2.0) | **(72.1)** |
| Net valuation gain/(losses) | 66.6 | (11.1) | 50.3 | **105.8** |
| **Carrying and market value at 31 December 2021** | **3,095.1** | **97.7** | **324.1** | **3,516.9** |

Total assets classified as held for sale at 31 December 2021 of £228.2 million (2020: £nil) comprised entirely investment property (owned). Assets classified as held for sale are reported within the operations segment, and represents a portfolio of properties intended to be sold within the next 12 months.

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** |

Included within investment properties at 31 December 2021 are £28.8 million (2020: £29.7 million) of assets held under a long leasehold and £0.1 million (2020: £0.1 million) of assets held under short leasehold.

Total interest capitalised in investment properties (owned) and investment properties under development at 31 December 2021 was £57.4 million (2020: £52.2 million) on a cumulative basis. Total internal costs capitalised in investment properties (owned) and investment properties under development was £74.3 million at 31 December 2021 (2020: £66.8 million) on a cumulative basis.

### Recurring fair value measurement

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

| Class of asset | 2021 £m | 2020 £m |
|---|---|---|
| London – rental properties | 849.8 | 1,137.0 |
| Prime regional – rental properties | 992.9 | 949.3 |
| Major regional – rental properties | 1,263.5 | 1,255.8 |
| Provincial – rental properties | 217.1 | 272.6 |
| London – development properties | 249.9 | 158.8 |
| Prime regional – development properties | 48.4 | 25.6 |
| Major regional – development properties | 25.8 | 2.8 |
| **Investment property (owned)** | **3,647.4** | **3,801.9** |

| | | |
|---|---|---|
| **Investment property (leased)** | **97.7** | **101.8** |
| **Market value (including assets classified as held for sale)** | **3,745.1** | **3,903.7** |
| Investment property (classified as held for sale) | (228.2) | – |
| **Market value** | **3,516.9** | **3,903.7** |

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)

| | 2021<br>£m | 2020<br>£m |
|---|---|---|
| **Opening fair value** | **3,903.7** | **3,929.1** |
| Gains and (losses) recognised in income statement | 105.8 | (135.4) |
| Transfer to current assets classified as held for sale | (228.2) | – |
| Capital expenditure | 136.7 | 119.8 |
| Disposals | (401.1) | (9.8) |
| **Closing fair value** | **3,516.9** | **3,903.7** |
| Investment property (classified as held for sale) | 228.2 | – |
| **Closing fair value (including assets classified as held for sale)** | **3,745.1** | **3,903.7** |

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

2021

| | Fair value £m | Valuation technique | Unobservable inputs | Range | Weighted average |
|---|---|---|---|---|---|
| London – rental properties | **849.8** | Discounted cash flows | Net rental income (£ per week)<br>Estimated future rent increase (%)<br>Discount rate (yield) (%) | £191-£373<br>3%-4%<br>3.7%-4.9% | £291<br>4%<br>3.9% |
| Prime regional – rental properties | **992.9** | Discounted cash flows | Net rental income (£ per week)<br>Estimated future rent increase (%)<br>Discount rate (yield) (%) | £144-£235<br>1%-4%<br>4.0%-6.3% | £191<br>3%<br>4.7% |
| Major regional – rental properties | **1,263.6** | Discounted cash flows | Net rental income (£ per week)<br>Estimated future rent increase (%)<br>Discount rate (yield) (%) | £62-£173<br>0%-4%<br>4.7%-7.0% | £131<br>2%<br>5.7% |
| Provincial – rental properties | **217.1** | Discounted cash flows | Net rental income (£ per week)<br>Estimated future rent increase (%)<br>Discount rate (yield) (%) | £109-£188<br>1%-4%<br>5.1%-14.2% | £135<br>3%<br>7.0% |
| London – development properties | **249.9** | Discounted cash flows | Estimated cost to complete (£m)<br>Net rental income (£ per week)<br>Estimated future rent increase (%)<br>Discount rate (yield) (%) | £34.0m-£177.3m<br>£185-£382<br>3%<br>3.6% | £126.5m<br>£289<br>3%<br>3.6% |
| Prime regional – development properties | **48.4** | Discounted cash flows | Estimated cost to complete (£m)<br>Net rental income (£ per week)<br>Estimated future rent increase (%)<br>Discount rate (yield) (%) | £7.1m-£64.3m<br>£176-£258<br>3%<br>4.0% | £35.9m<br>£181<br>3%<br>4.0% |
| Major regional – development properties | **25.8** | Discounted cash flows | Estimated cost to complete (£m)<br>Net rental income (£ per week)<br>Estimated future rent increase (%)<br>Discount rate (yield) (%) | £33.9m-£45.2m<br>£171-£213<br>3%<br>5.0% | £42.1m<br>£172<br>3%<br>5.0% |
| | **3,647.4** | | | | |
| Investment property (leased) | **97.7** | Discounted cash flows | Net rental income (£ per week)<br>Estimated future rent increase (%)<br>Discount rate (yield) (%) | £95-£185<br>3%<br>6.8% | £144<br>3%<br>6.8% |
| **Fair value at 31 December 2021** | **3,745.1** | | | | |

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

### 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 2021 £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 | 849.8 | 892.0 | 807.9 | 798.9 | 908.0 |
| Prime regional | 992.9 | 1,046.7 | 949.7 | 948.4 | 1,053.8 |
| Major regional | 1,263.5 | 1,335.1 | 1,208.8 | 1,218.3 | 1,330.7 |
| Provincial | 217.1 | 228.4 | 206.7 | 209.5 | 226.2 |
| **Development properties** | | | | | |
| London | 249.9 | 265.0 | 226.8 | 233.0 | 273.1 |
| Prime regional | 48.4 | 53.6 | 44.5 | 44.8 | 53.9 |
| Major regional | 25.8 | 26.9 | 23.9 | 24.7 | 27.0 |
| **Market value** | **3,647.4** | 3,847.8 | 3,468.3 | 3,477.7 | 3,872.7 |

### 3.2 Inventories

| | 2021 £m | 2020 £m |
|---|---|---|
| Interests in land | 10.8 | 6.7 |
| Other stocks | 1.3 | 2.1 |
| **Inventories** | **12.1** | **8.8** |

At 31 December 2021, the Group had interests in two pieces of land (2020: four pieces of land).

### 3.3 Investments in joint ventures

The Group has two joint ventures:

| Joint venture | Group's share of assets/results 2021 (2020) | 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 non-controlling 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% (2020: 22.0%) of USAF.

### 3.3a) Net assets and results of the joint ventures

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

2021

| | | | USAF £m | | LSAV £m | | Total £m |
|---|---|---|---|---|---|---|---|
| | Gross | MI | Share | Gross | Share | Gross | Share |
| Investment property | 2,867.4 | 39.3 | 631.9 | 1,819.0 | 909.5 | **4,686.4** | **1,580.7** |
| Cash | 106.2 | 1.5 | 23.4 | 45.4 | 22.7 | **151.6** | **47.6** |
| Debt | (912.1) | (12.5) | (201.0) | (673.0) | (336.5) | **(1,585.1)** | **(550.0)** |
| Swap assets/(liabilities) | 0.5 | – | 0.1 | (0.2) | (0.1) | **0.3** | **–** |
| Other current assets | 106.6 | 1.5 | 23.5 | 22.0 | 11.0 | **128.6** | **36.0** |
| Other current liabilities | (211.5) | (3.5) | (46.6) | (40.2) | (20.1) | **(251.7)** | **(70.2)** |
| **Net assets** | **1,957.1** | **26.3** | **431.3** | **1,173.0** | **586.5** | **3,130.1** | **1,044.1** |
| Non-controlling interest | – | (26.3) | – | – | – | **–** | **(26.3)** |
| Swap (liabilities)/assets | (0.5) | – | (0.1) | 0.2 | 0.1 | **(0.3)** | **–** |
| **EPRA NTA** | **1,956.6** | **–** | **431.2** | **1,173.2** | **586.6** | **3,129.8** | **1,017.8** |
| **Profit for the year** | **146.9** | **2.1** | **34.2** | **172.2** | **86.1** | **319.1** | **122.4** |

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** |
| Non-controlling 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** |
| **Profit/(loss) for the year** | **(42.6)** | **(0.8)** | **(11.1)** | **0.6** | **0.3** | **(42.0)** | **(11.6)** |

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

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

The carrying value of the Group's investment in joint ventures increased by £195.1 million during the year ended 31 December 2021 (2020: £26.2 million decrease), resulting in an overall carrying value of £1,044.1 million (2020: £849.0 million).

The following table shows how the increase has arisen.

| | 2021 £m | 2020 £m |
|---|---|---|
| **Recognised in the income statement:** | | |
| Operations segment result | 30.2 | 23.7 |
| Non-controlling interest share of Operations segment result | 1.1 | 0.6 |
| Management fee adjustment related to trading with joint venture | 3.0 | 6.3 |
| Net valuation gains/(losses) on investment property | 88.7 | (41.5) |
| Property disposals | (0.3) | - |
| Other | (0.3) | (0.7) |
| | **122.4** | **(11.6)** |

| | | |
|---|---|---|
| **Recognised in equity:** | | |
| Movement in effective hedges | 0.6 | (0.1) |
| Other adjustments to the carrying value: | | |
| Profit adjustment related to trading with joint venture | (3.4) | (6.3) |
| Profit adjustment related to sale of property with LSAV | (1.9) | – |
| Additional capital invested in LSAV | 157.6 | 7.5 |
| LSAV performance fee | (42.2) | (5.7) |
| USAF distributions received | (18.6) | – |
| LSAV distributions received | (19.4) | (10.0) |
| **Increase/(decrease) in carrying value** | **195.1** | **(26.2)** |
| Carrying value at 1 January | 849.0 | 875.2 |
| **Carrying value at 31 December** | **1,044.1** | **849.0** |

### 3.3c) Transactions with joint ventures

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

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

| | 2021<br>£m | 2020<br>£m |
|---|---|---|
| USAF | 15.2 | 13.5 |
| LSAV | 3.9 | 6.6 |
| **Asset and property management fees** | **19.1** | **20.1** |
| LSAV performance fee | 41.9 | 11.4 |
| USAF acquisition fee | – | – |
| **Investment management fees** | **41.9** | **11.4** |
| **Total fees** | **61.0** | **31.5** |

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 £3.2 million (2020: £6.1 million), which results in management fees from joint ventures of £15.9 million being shown in the Operating segment result in note 2.2a (2020: £14.0 million).

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

During 2021, the Group sold two properties to LSAV for gross proceeds of £341.9 million. Both 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 | |
|---|---|---|
| | 2021 £m | 2020 £m |
| Included in loss on disposal of property (net of joint venture trading adjustment) | 6.6 | – |
| **Loss on disposal of property** | **6.6** | **–** |

| | Cash flow | |
|---|---|---|
| | 2021 £m | 2020 £m |
| Gross proceeds | 341.9 | – |
| Less amounts settled by transfer of property | (99.4) | – |
| **Net cash flows included in cash flows from investing activities** | **242.5** | **–** |

## Section 4: Funding

### 4.1 Borrowings

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

| | Group – Carrying value | |
|---|---|---|
| | 2021 £m | 2020 £m |
| **Current** | | |
| In one year or less, or on demand | – | – |
| **Non-current** | | |
| In more than one year but not more than two years | – | 795.9 |
| In more than two years but not more than five years | 419.2 | 297.3 |
| In more than five years | 719.0 | 568.6 |
| | **1,138.2** | **1,661.8** |
| Unamortised fair value of debt recognised on acquisition | 23.8 | 28.1 |
| **Total borrowings** | **1,162.0** | **1,689.9** |

In addition to the borrowings currently drawn as shown above, the Group has available undrawn facilities of £325.0 million (2020: £50.0 million). A further overdraft facility of £10.0 million (2020: £10.0 million) is also available.

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

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | Carrying value £m | Fair value £m | Carrying value £m | Fair value £m |
| Level 1 IFRS fair value hierarchy | 898.8 | 936.7 | 903.1 | 932.2 |
| Other loans and unamortised arrangement fees | 263.2 | 263.2 | 786.8 | 786.8 |
| **Total borrowings** | **1,162.0** | **1,199.9** | **1,689.9** | **1,719.0** |

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

2021

| | at 1 January 2021 | Financing cash flows | Fair Value adjustments | Other changes | at 31 December 2021 |
|---|---|---|---|---|---|
| Borrowings | 1,689.9 | (563.8) | (4.3) | 40.2 | 1,162.0 |
| Lease liabilities | 101.1 | (13.2) | – | 8.9 | 96.8 |
| Interest rate swaps | 23.6 | (3.1) | (23.9) | 0.9 | (2.5) |
| **Total liabilities from financing activities** | **1,814.6** | **(580.1)** | **(28.2)** | **50.0** | **1,256.3** |

2020

| | at 31 December 2019 | Financing cash flows | Fair Value adjustments | Other changes | at 31 December 2020 |
|---|---|---|---|---|---|
| Borrowings | 1,567.6 | 52.1 | (4.3) | 74.5 | 1,689.9 |
| Lease liabilities | 104.8 | (13.1) | – | 9.4 | 101.1 |
| Interest rate swaps | 7.6 | (1.5) | 17.5 | – | 23.6 |
| **Total liabilities from financing activities** | **1,680.0** | **117.4** | **11.7** | **5.5** | **1,814.6** |

### 4.2 Interest rate swaps

The Group uses interest rate swaps to manage the Group's exposure to interest rate fluctuations. In accordance with the Group's treasury policy, the Group does not hold or issue interest rate swaps for trading purposes and only holds swaps which are considered to be commercially effective.

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

| | 2021 £m | 2020 £m |
|---|---|---|
| Current | (2.5) | 5.8 |
| Non-current | – | 17.8 |
| **Fair value of interest rate swaps** | **(2.5)** | **23.6** |

The fair value of interest rate swaps (a debit balance in 2021 and a credit balance in 2020) 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. At 31 December 2021 the net current asset fair value above comprises assets of £6.1 million offset by liabilities of £3.6 million (2020: all liabilities).

### 4.3 Net financing costs

| Recognised in the income statement: | 2021<br>£m | 2020<br>£m |
|---|---|---|
| **Interest income** | **–** | **(5.6)** |
| **Finance income** | **–** | **(5.6)** |
| Gross interest expense on loans | 43.7 | 50.8 |
| Interest capitalised | (5.2) | (4.6) |
| Amortisation of fair value of debt recognised on acquisition | (4.3) | (4.3) |
| **Loan interest and similar charges** | **34.2** | **41.9** |
| Interest on lease liabilities | 8.5 | 8.8 |
| Mark to market changes on interest rate swaps | (10.9) | 5.8 |
| Swap cancellation fair value settlements and loan break costs | 4.2 | 30.1 |
| **Finance costs** | **36.0** | **86.6** |
| **Net financing costs** | **36.0** | **81.0** |

The average cost of the Group’s wholly owned investment debt for the year ended 31 December 2021 is 3.0% (2020: 3.2%). The overall average cost of investment debt on an EPRA basis is 3.0% (2020: 3.2%).

### 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 tangible assets (NTA) 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 | 2021 £m | 2020 £m |
|---|---|---|---|
| **Cash and cash equivalents** | **5.1** | **109.4** | **338.3** |
| Current borrowings | 4.1 | – | – |
| Non-current borrowings | 4.1 | (1,162.0) | (1,689.9) |
| Lease liabilities | 4.6a | (96.8) | (101.1) |
| Interest rate swaps | 4.2 | 2.5 | (23.6) |
| **Net debt per balance sheet** | | **(1,146.9)** | **(1,476.3)** |
| Lease liabilities | 4.6a | 96.8 | 101.1 |
| Unamortised fair value of debt recognised on acquisition | 2.3c | 23.8 | 28.1 |
| **Adjusted net debt** | | **(1,026.3)** | **(1,347.1)** |
| Reported net asset value | 2.3c | 3,527.8 | 3,234.9 |
| EPRA NTA | 2.3c | 3,532.2 | 3,266.2 |
| **Gearing** | | | |
| Basic (net debt/reported net asset value) | | 33% | 46% |
| Adjusted gearing (adjusted net debt/EPRA NTA) | | 29% | 41% |
| Loan to value | 2.3a | 29% | 34% |

### 4.5 Covenant compliance

The Group monitors its covenant position and the forecast headroom available on a monthly basis. At 31 December 2021, 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.

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | Covenant | Actual | Covenant | Actual |
| Gearing | < 1.50 | 0.30 | < 1.50 | 0.42 |
| Unencumbered assets ratio | > 1.70 | 3.25 | > 1.70 | 2.81 |
| Secured gearing | < 0.25 | 0.0 | < 0.25 | 0.0 |
| Development assets ratio | < 30% | 7% | < 30% | 4% |
| Joint venture ratio | < 55% | 23% | < 55% | 18% |
| Interest cover | > 2.00 | 5.49 | > 2.00 | 3.9 |

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

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | Weighted covenant | Weighted actual | Weighted covenant | Weighted actual |
| Net gearing | < 60% | 30% | < 60% | 35% |
| Secured gearing | < 25% | 0% | < 25% | 0% |
| Unsecured gearing | > 1.67 | 3.31 | > 1.67 | 2.87 |
| Interest cover | > 1.75 | 2.79 | > 1.75 | 2.67 |

### 4.6 Equity

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

| | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| 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** | **398,170,432** | **99.5** | **2,160.3** | **363,591,882** | **90.9** | **1,874.9** |
| Shares issued (placing) | – | – | – | 34,502,872 | 8.6 | 285.1 |
| Shares issued (scrip dividend) | 789,927 | 0.2 | (0.2) | – | – | – |
| Shares issued (options exercised) | 179,277 | 0.1 | 1.1 | 75,678 | – | 0.3 |
| **At 31 December** | **399,139,636** | **99.8** | **2,161.2** | **398,170,432** | **99.5** | **2,160.3** |

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

### 4.7 Dividends

During the year, the Company paid the final 2020 dividend of £42.4m – 12.75p per share – and an interim 2021 dividend of £25.4 million – 6.5p per share (2020: cancelled the proposed final 2019 dividend and paid no interim dividend).

After the year-end, the Directors proposed a final dividend per share of 15.6p – totalling £62.3 million (2020: 12.75p), bringing the total dividend per share for the year to 22.1p (2020: 12.75p). No provision has been made in relation to this dividend.

The Group has modelled tax adjusted property business profits for 2021 and 2022 and the PID requirement in respect of the year ended 31 December 2021 is expected to be satisfied by the end of 2022.

Section 5: Working capital

## 5.1 Cash and cash equivalents

The Group's cash position at 31 December 2021 was £109.4 million (2020: £338.3 million).

The Group's cash balances include £2.0 million (2020: £1.2 million) whose use at the balance sheet date is restricted by funding agreements to pay operating costs.

The Group generates cash from its operating activities as follows:

| | Note | 2021 £m | 2020 £m |
|---|---|---|---|
| **Profit/(loss) for the year** | | **344.6** | **(122.2)** |
| Adjustments for: | | | |
| Depreciation and amortization | | 7.8 | 9.2 |
| Fair value of share-based payments | | 2.4 | 1.7 |
| Change in value of investment property (owned and under development) | 3.1 | (116.8) | 124.2 |
| Change in value of investment property (leased) | 3.1 | 11.1 | 11.2 |
| Net finance costs excluding interest on lease liabilities | 4.3 | 34.2 | 36.3 |
| Interest payments for leased assets | 4.3 | 8.5 | 8.8 |
| Mark to market changes in interest rate swaps | 4.3 | (10.9) | 5.8 |
| Swap break fair value settlements and debt exit costs | 4.3 | 4.2 | 30.1 |
| Loss on disposal of investment property (owned) | | 12.0 | 1.9 |
| Share of joint venture (profit)/loss | 3.3b | (122.2) | 11.6 |
| Trading with joint venture adjustment | | 19.1 | 12.0 |
| Tax (credit)/charge | 2.5a | (1.5) | 2.1 |
| **Cash flows from operating activities before changes in working capital** | | **192.5** | **132.7** |
| (Increase) in trade and other receivables | | (52.5) | (0.3) |
| (Increase) in inventories | | (2.9) | (4.5) |
| Increase/(decrease) in trade and other payables | | 34.2 | (53.3) |
| **Cash flows from operating activities** | | **171.3** | **74.6** |
| Tax paid | | – | (1.3) |
| **Net cash flows from operating activities** | | **171.3** | **73.3** |

Cash flows consist of the following segmental cash inflows/(outflows): operations £108.1 million (2020: £57.3 million), property (£324.8 million) (2020: £78.2 million) and unallocated (£12.2 million) (2020: £272.3 million).

The unallocated net cash outflow is comprised of dividends paid totalling £64.8 million (2020: £nil), amounts received from shares issued of £nil (2020: £294.0 million), LSAV performance fee received of £53.3 million (2020: £nil), tax paid of £nil (2020: £1.3 million) and investment in joint venture of £nil (2020: £7.5 million).

During the year the Group acquired an additional investment in its LSAV joint venture as a non-cash transaction as part of the disposal of property to the joint venture.

### 5.2 Credit risk

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

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

| | Note | 2021<br>£m | 2020<br>£m |
|---|---|---|---|
| Cash | 5.1 | 109.4 | 338.3 |
| Trade receivables | | 27.9 | 16.4 |
| Amounts due from joint ventures | | 56.8 | 48.0 |
| | | **194.1** | **402.7** |

#### 5.2a) Cash

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

#### 5.2b) Trade receivables

The Group's customers can be split into two groups – (i) students (individuals) and (ii) commercial organisations including universities. The Group's exposure to credit risk is influenced by the characteristics of each customer. The Group holds customer deposits of £0.8 million (2020: £0.8 million) as collateral against individual customers.

#### 5.2c) Joint ventures

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

### 5.3 Provisions

During 2020, and in accordance with the Government's Building Safety Advice of 20 January 2020, we undertook a thorough review of the use of High-Pressure Laminate (HPL) cladding on our properties. We have identified 24 properties with HPL that needs replacing across our estate, seven 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 remaining cost of replacing HPL cladding is expected to be £92.0 million (Unite Share: £46.9 million), of which £33.5 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 2 years.

The Government has proposed a Building Safety Bill, covering building standards, which is likely to result in more stringent fire safety regulations. We will ensure we remain aligned to fire safety regulations as they evolve and will continue to make any required investment to ensure our buildings remain safe to occupy. We have provided for the costs of remedial work where we have a legal obligation to do so. The amounts provided reflect the current best estimate of the extent and future cost of the remedial works required and are based on known costs and quotations where possible, and reflect the most likely outcome. However, these estimates may be updated as work progresses or if Government legislation and regulation changes.

We have not recognised any assets in respect of future claims.

Management have performed a sensitivity analysis to assess the impact of a change in their estimate of total costs. A 20% increase in the estimated remaining costs would affect net valuation gains/losses on property in the IFRS P&L and would reduce the Group's NTA by 2.3 pence on a Unite share basis. Whilst provisions are expected to be utilised within two years, there is uncertainty over this timing.

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

| | Gross £m | | | | Unite Share £m | | | |
|---|---|---|---|---|---|---|---|---|
| | Wholly | USAF | LSAV | Total | Wholly | USAF | LSAV | Total |
| **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** |
| Additions | 18.0 | 23.4 | 0.5 | 41.9 | 18.0 | 5.1 | 0.3 | 23.4 |
| Utilisation | (0.2) | (17.1) | (12.5) | (29.8) | (0.2) | (3.8) | (6.3) | (10.3) |
| **At 31 December 2021** | **33.5** | **56.3** | **2.2** | **92.0** | **33.5** | **12.3** | **1.1** | **46.9** |

## Section 6: Post balance sheet events

In February 2022 we exchanged contracts to acquire a development site in East London on a subject to planning basis. This site is anticipated to provide 700 beds, with a total development cost of £177 million.

## Section 7: Alternative performance measures

The Group uses alternative performance measures ('APMs'), which are not defined or specified under IFRS. These APMs, which are not considered to be a substitute for IFRS measures, provide additional helpful information. APMs are consistent with how business performance is planned, reported and assessed internally by management and the Board, and provide comparable information across the Group. The APMs below have been calculated on a see through/Unite share basis, as referenced to the notes to the financial statements. Reconciliations to equivalent IFRS measures are included in notes 2.2b and 2.2c. Definitions can also be found in the glossary.

Adjusted earnings, as set out below, is a new APM reflecting a more meaningful measure of the underlying earnings of the Group, excluding the non-recurring impact of the LSAV performance fee, and therefore aiding comparability.

Non-EPRA measures may not have comparable calculation bases between companies and therefore may not provide meaningful industry-wide comparability.

| | Note | 2021 £m | 2020 £m |
|---|---|---|---|
| **Adjusted EBIT** | | | |
| Net operating income (NOI) | 2.2a | 191.8 | 180.3 |
| Management fees | 2.2a | 15.9 | 14.0 |
| Overheads | 2.2a | (31.5) | (30.9) |
| | | **176.2** | **163.4** |
| **Adjusted EBIT margin %** | | | |
| Rental income | 2.2a | 282.7 | 263.2 |
| EBIT | 7 | 176.2 | 163.4 |
| | | **62.3%** | **62.1%** |
| **EBITDA** | | | |
| Net operating income (NOI) | 2.2a | 191.8 | 180.3 |
| Management fees | 2.2a | 15.9 | 14.0 |
| Overheads | 2.2a | (31.5) | (30.9) |
| Depreciation and amortisation | | 7.8 | 8.4 |
| | | **184.0** | **171.8** |
| **Net debt** | | | |
| Cash | 2.3a | 155.5 | 391.0 |
| Debt on properties | 2.3a | (1,677.3) | (2,132.8) |
| | | **(1,521.8)** | **(1,741.8)** |
| **EBITDA : Net debt** | | | |
| EBITDA | 7 | 184.0 | 171.8 |
| Net debt | 7 | (1,521.8) | (1,741.8) |
| **Ratio** | | **8.3** | **10.1** |
| **Interest cover (Unite share)** | | | |
| Adjusted EBIT | 7 | 176.2 | 163.4 |
| Net financing costs | 2.2a | (54.8) | (56.1) |
| Interest on lease liability/operating lease rentals | 2.2a | (8.5) | (8.8) |
| **Total interest** | | **(63.3)** | **(64.9)** |
| **Ratio** | | **2.8** | **2.5** |

## Reconciliation: IFRS loss before tax to EPRA earnings and Adjusted earnings

| | Note | 2021<br>£m | 2020<br>£m |
|---|---|---|---|
| **IFRS profit/(loss)loss before tax** | | **343.1** | **(120.1)** |
| Net valuation (gains)/losses on investment property (owned) | 2.2b | (205.6) | 165.7 |
| Property disposals (owned) | 2.2b | 12.3 | 1.9 |
| Net valuation losses on investment property (leased) | 2.2b | 11.1 | 11.2 |
| Integration costs | 2.2b | – | 9.2 |
| Amortisation of fair value of debt recognised on acquisition | 2.2b | (4.3) | (4.3) |
| Changes in valuation of interest rate swaps | 2.2b | (10.9) | 5.8 |
| Swap cancellation fair value settlements and loan break costs | 2.2b | 4.2 | 30.1 |
| Non-controlling interest and tax | | 2.1 | (2.2) |
| **EPRA earnings** | | **152.0** | **97.3** |
| LSAV performance fee | | (41.9) | (5.7) |
| **Adjusted earnings** | | **110.1** | **91.6** |

## Adjusted EPS yield

| | Note | 2021 | 2020 |
|---|---|---|---|
| Adjusted earnings (A) | 2.2c | 27.6p | 24.0p |
| Opening EPRA NTA (B) | 2.3d | 818p | 847p |
| **Adjusted EPS yield (A/B)** | | **3.4%** | **2.8%** |

## Total accounting return

| | Note | 2021 | 2020 |
|---|---|---|---|
| Opening EPRA NTA (A) | 2.3d | 818p | 847p |
| Closing EPRA NTA | 2.3d | 882p | 818p |
| Movement | | 64p | (29)p |
| H1 dividend paid | 4.9 | 12.75p | – |
| H2 dividend paid | 4.9 | 6.5p | – |
| Total movement in NTA (B) | | 83.25p | (29)p |
| **Total accounting return (B/A)** | | **10.2%** | **(3.4%)** |

## EPRA Performance Measures

### Summary of EPRA performance measures

| | 2021 £m | 2020 £m | 2021 | 2020 |
|---|---|---|---|---|
| EPRA earnings | 152.0 | 97.3 | 38.1p | 25.5p |
| Adjusted earnings | 110.1 | 91.6 | 27.6p | 24.0p |
| EPRA NTA (diluted) | 3,536.1 | 3,271.0 | 882p | 818p |
| EPRA NRV (diluted) | 3,829.7 | 3,601.9 | 955p | 901p |
| EPRA NDV (diluted) | 3,503.6 | 3,180.7 | 874p | 796p |
| EPRA Net initial yield | | | 4.0% | 3.8% |
| EPRA Topped-up Net initial yield | | | 4.0% | 3.8% |
| EPRA Like-for-like gross rental income | | | 4.7% | (12.9%) |
| EPRA Vacancy rate | | | 5.6% | 13.0% |
| EPRA Cost ratio (including vacancy costs) | | | 38.8% | 40.0% |
| EPRA Cost ratio (excluding vacancy costs) | | | 36.8% | 36.2% |

### EPRA like-for-like rental income (calculated based on total portfolio value of £8 billion)

| £m | Properties owned throughout the period | Developmen t property | Acquisitions and disposals | Total EPRA |
|---|---|---|---|---|
| 2021 | | | | |
| Rental income | 265.3 | 15.5 | 1.9 | 282.7 |
| Property operating expenses | (86.6) | (3.4) | (0.9) | (90.9) |
| **Net rental income** | **178.7** | **12.1** | **1.0** | **191.8** |
| 2020 | | | | |
| Rental income | 253.3 | 2.3 | 7.6 | 263.2 |
| Property operating expenses | (78.7) | (0.8) | (3.4) | (82.9) |
| **Net rental income** | **174.6** | **1.5** | **4.2** | **180.3** |
| **Like-for-like net rental income** | **4.1** | **10.6** | **(3.2)** | **11.5** |
| **Like-for-like gross rental income** | **4.7%** | | | |

### EPRA Vacancy Rate

| | 2021 £m | 2020 £m |
|---|---|---|
| Estimated rental value of vacant space | 13.8 | 31.5 |
| Estimated rental value of the whole portfolio | 246.5 | 241.8 |
| **EPRA Vacancy Rate** | **5.6%** | **13.0%** |

## EPRA Net Initial Yield

| | 2021 | 2020 |
|---|---|---|
| Annualised net operating income (£m) | 205.1 | 197.7 |
| Property market value (£m) | 4,864.8 | 4,893.2 |
| Notional acquisition costs (£m) | 254.3 | 256.0 |
| | **5,119.1** | **5,149.2** |
| **Net initial yield (%) *** | **4.0%** | **3.8%** |
| **Unite Net initial yield (%) **** | **4.9%** | **5.0%** |

* No lease incentives are provided by the Group and accordingly EPRA Topped Up Net Initial Yield is also 4.0% (2020: 3.8%).
** The Unite measure of Net Initial Yield assumes full occupancy on newly developed properties.

## EPRA Cost ratio

| | 2021 £m | 2020 £m |
|---|---|---|
| Property operating expenses | 67.7 | 61.9 |
| Overheads | 30.7 | 30.1 |
| Development/pre contract costs | 2.2 | 2.2 |
| Unallocated expenses * | 0.5 | 3.2 |
| | **101.1** | **97.4** |
| Share of JV property operating expenses | 23.2 | 21.0 |
| Share of JV overheads | 0.8 | 0.8 |
| Share of JV unallocated expenses * | 0.4 | 0.4 |
| | **125.5** | **119.6** |
| Less: Joint venture management fees | (15.9) | (14.0) |
| **Total costs (A)** | **109.6** | **105.6** |
| Group vacant property costs ** | (4.1) | (7.4) |
| Share of JV vacant property costs ** | (1.4) | (2.5) |
| **Total costs excluding vacant property costs (B)** | **104.1** | **95.7** |
| Rental income | 209.0 | 196.1 |
| Share of JV rental income | 73.7 | 67.1 |
| **Total gross rental income (C)** | **282.7** | **263.2** |
| **Total EPRA cost ratio (including vacant property costs) (A)/(C)** | **39%** | **40%** |
| **Total EPRA cost ratio (excluding vacant property costs) (B)/(C)** | **37%** | **36%** |

* 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.

The Group capitalises costs in relation to staff costs and professional fees associated with property development activity.

## EPRA Valuation movement (Unite share)

| | Valuation £m | Change £m | % |
|---|---|---|---|
| Wholly owned | 3,323.3 | 109.8 | 3.4% |
| USAF | 632.0 | 28.0 | 4.6% |
| LSAV | 730.9 | 69.1 | 10.4% |
| **Rental properties** | **4,686.2** | **206.9** | **4.6%** |
| Leased properties | 97.7 | | |
| 2021/22 development completions | – | | |
| Properties under development | 324.1 | | |
| **Properties held throughout the year** | **5,108.0** | | |
| Disposals to LSAV | 178.6 | | |
| **Total property portfolio** | **5,286.6** | | |

## EPRA Yield movement

| | NOI yield | Yield movement (bps) | | |
|---|---|---|---|---|
| | % | H1 | H2 | FY |
| Wholly owned | 5.0% | (2) | (7) | (9) |
| USAF | 5.2% | (1) | (10) | (11) |
| LSAV | 4.1% | (3) | (20) | (23) |
| **Rental properties (Unite share)** | **4.9%** | **(2)** | **(10)** | **(12)** |

## Property related capital expenditure

| | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| | Wholly owned | Share of JVs | Group share | Wholly owned | Share of JVs | Group share |
| London | 4.8 | 3.1 | 7.9 | 0.6 | 1.9 | 2.5 |
| Prime regional | 16.7 | 2.9 | 19.6 | 2.7 | 0.8 | 3.5 |
| Major regional | 8.1 | 10.8 | 18.9 | 5.3 | 2.2 | 7.5 |
| Regional | 2.8 | 0.6 | 3.4 | 2.7 | 0.2 | 2.9 |
| Total rental properties | 32.4 | 17.4 | 49.8 | 11.3 | 5.1 | 16.4 |
| Increase in beds (lettable space) | – | – | – | – | – | – |
| Acquisitions | – | – | – | – | – | – |
| Developments | 81.4 | – | 81.4 | 87.6 | – | 87.6 |
| Capitalised interest | 5.2 | – | 5.2 | 4.6 | – | 4.6 |
| **Total property related capex** | **119.0** | **17.4** | **136.4** | **103.5** | **5.1** | **108.6** |

## Glossary

**Adjusted earnings**
An alternative performance measure based on EPRA earnings, adjusted to remove the impact of the LSAV performance fee which was settled in the year. Given the quantum of the performance fee in the year, it has been excluded from adjusted earnings to improve the comparability of results year-on-year.

**Adjusted earnings per share (EPS)**
EPRA earnings per share, adjusted to remove the impact of the LSAV performance fee which was settled in the year. Given the quantum of the performance fee in the year, it has been excluded from adjusted earnings to improve the comparability of results year-on-year.

**Adjusted EBIT**
The Group's NOI plus management fees and less overheads. In the opinion of the Directors, adjusted EBIT is a useful measure to monitor our cost discipline and performance of the Group.

**Adjusted EBIT margin**
The Group's EBIT expressed as a percentage of rental income. In the opinion of the Directors, adjusted EBIT margin is a useful measure to monitor our cost discipline and performance of the Group.

**Adjusted EPS yield**
Adjusted EPS as a percentage of opening EPRA NTA (diluted).

**Adjusted net debt**
Net debt per the balance sheet, adjusted to remove IFRS 16 lease liabilities and the unamortised fair value of debt recognised on the acquisition of Liberty Living.

**Basis points (BPS)**
A basis point is a term used to describe a small percentage, usually in the context of change, and equates to 0.01%.

**Diluted earnings**
Where earnings values per share are used "basic" measures divide the earnings by the weighted average number of issued shares in issue throughout the period, whilst the diluted measure also takes into account the effect of share options which have been granted and which are expected to be converted into shares in the future.

**Diluted NTA/NAV**
Where NTA/NAV per share is used, "basic" measures divide the NTA/NAV by the number of shares issued at the reporting date, whilst the diluted measure also takes into account the effect of share options which have been granted and which are expected to be converted into shares in the future (both for the additional number of shares that will be issued and the value of additional consideration that will be received in issuing them).

**Direct let**
Properties where short-hold tenancy agreements are made directly between Unite and the student.

**EBITDA**
The Group's adjusted EBIT, adding back depreciation and amortisation.

**EPRA**
The European Public Real Estate Association, who produce best practice recommendations for financial reporting.

**EPRA earnings**
EPRA earnings exclude movements relating to changes in values of investment properties, profits/losses from the disposal of properties, swap/debt break costs and integration costs.

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

**EPRA like-for-like rental growth**
The growth in rental income based on properties that have been in operation throughout both the current and prior year, and not under development nor subject to disposal.

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

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

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

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

**EPRA Net Initial Yield (NIY)**
Annualised NOI generated by the Group's rental properties expressed as a percentage of their fair value, taking into account notional acquisition costs.

**EPRA Topped Up Net Initial Yield (NIY)**
EPRA Net Initial Yield adjusted to include the effect of the expiration of rent free periods (or other unexpired lease incentives such as discounted rent periods or step rents).

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

**EPRA Cost Ratio**
The ratio of property operating expenses, overheads and management fees, against rental income, calculated on an EPRA basis.

**ESG**
Environmental, Social and Governance.

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

**Gross asset value (GAV)**
The fair value of rental properties, leased properties and development properties.

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

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

**HMO**
Houses in multiple occupation, where buildings or flats are shared by multiple tenants who rent their own rooms and the property's communal spaces on an individual basis.

**IFRS NAV per share**
IFRS equity attributable to the owners of the parent company from the consolidated balance sheet divided by the total number of shares of the Parent Company in issue at the reporting date

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

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

**Like-for-like capital growth**
Like-for-like capital growth is the growth in Gross Asset Value on properties owned throughout the current and prior year.

**Loan to value (LTV)**
Net debt as a proportion of the value of the rental properties, excluding balances in respect of leased properties under IFRS 16. Prepared on a see-through basis. In the opinion of the Directors, this measure enables an appraisal of the indebtedness of the business, which closely aligns with key covenants in the Group's agreements.

**Loan to value post IFRS 16**
Net debt as a proportion of the value of the rental properties, including balances in respect of leased properties under IFRS 16. Prepared on a see-through basis.

**LSAV**
The London Student Accommodation Joint Venture (LSAV) is a joint venture between Unite and GIC, in which both hold a 50% stake. LSAV has a maturity date of September 2032.

**Major regional**
Properties located in Aberdeen, Birmingham, Cardiff, Durham, Glasgow, Leeds, Leicester, Liverpool, Newcastle, Nottingham, Sheffield and Southampton.

**Net asset value (NAV)**
The total of all assets less the value of all liabilities at each reporting date.

**Net debt**
Borrowings, net of cash. IFRS 16 lease liabilities are excluded.

**Net debt per balance sheet**
Borrowings, IFRS 16 lease liabilities and the mark to market of interest rate swaps, net of cash.

**Net debt to EBITDA**
Net debt as a proportion of EBITDA.

**Net financing costs (EPRA)**
Interest payable on borrowings less interest capitalised into developments and finance income.

**Net operating income (NOI)**
The Group's rental income less property operating expenses.

**NOI margin**
The Group's NOI expressed as a percentage of rental income.

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

**Provincial**
Properties located in Bedford, Bournemouth, Coventry, Loughborough, Medway, Portsmouth, Reading and Swindon.

**Prime regional**
Properties located in Bristol, Bath, Edinburgh, Manchester and Oxford.

**Property operating expenses**
Operating costs directly related to rental properties, therefore excluding central overheads

**Rental growth**
Calculated as the year-on-year change in the average annual price for sold beds. In the opinion of the Directors, this measure enables a more meaningful comparison in rental income as it excludes the impact of changes in occupancy.

**Rental income**
Income generated by the Group from rental properties.

**Rental properties**
Investment properties (owned and leased) whose construction has been completed and are used by the Operations segment to generate NOI.

**Rental properties (leased) / Sale and leaseback**
Properties that have been sold to a third party investor then leased back to the Group. Unite is also responsible for the management of these assets on behalf of the owner.

**Resident ambassadors**
Student representatives who engage with students living in the property to create a community and sense of belonging.

**See-through (also Unite share)**
Wholly owned balances plus Unite's share of balances relating to USAF and LSAV.

**See-through net debt**
See-through borrowings net of cash. IFRS 16 lease liabilities are excluded from net debt on an EPRA basis. In the opinion of the Directors, net debt is a useful measure to monitor the overall cash position of the Group.

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

**Total accounting return**
Growth in diluted EPRA NTA per share plus dividends paid, expressed as a percentage of diluted EPRA NTA per share at the beginning of the period. In the opinion of the Directors, this measure enables an appraisal of the return generated by the business for shareholders during the year.

**Total shareholder return**
The growth in value of a shareholding over a specified period, assuming dividends are reinvested to purchase additional shares.

**USAF/the fund**
The Unite UK Student Accommodation Fund (USAF) is Europe's largest fund focused purely on income-producing student accommodation investment assets.
The fund is an open-ended infinite life vehicle with unique access to Unite's development pipeline. Unite acts as fund manager for the fund, as well as owning a significant minority stake.

**WAULT**
Weighted average unexpired lease term to expiry.

**Wholly owned**
Balances relating to properties that are 100% owned by The Unite Group PLC or its 100% subsidiaries.

## Company information

### Unite Group

**Executive Team**
Richard Smith
Chief Executive Officer

Joe Lister
Chief Financial Officer

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