PRESS RELEASE

28 February 2023

THE UNITE GROUP PLC

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

RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

PERFORMANCE AHEAD OF PRE-PANDEMIC PEAK, STRONG OUTLOOK FOR 2023/24

Richard Smith, Chief Executive of Unite Students, commented:

"We delivered a strong operational performance in 2022, with earnings and dividends surpassing their pre-pandemic level, driven by a return to full occupancy, improving rental growth and investment into our estate.

"The outlook for the business and the UK Higher Education sector is strong with demand underpinned by demographic growth, high application rates and increasing international student numbers. PBSA supply cannot keep pace with growing student demand at the same time as HMO landlords are leaving the sector.

"We are confident that new development opportunities will emerge over the next 12 months, which we remain uniquely positioned to deliver through our university relationships and development capability. Our strong leasing performance also supports earnings growth in 2023 despite higher interest and operating costs.

We recognise the cost-of-living pressures being faced by students and parents and are confident that our fixed price all-inclusive offer, student support programmes and balanced approach to rental increases will continue to provide value for money."

Year ended	**31 December 2022**	**31 December 2021**	**Change**
Adjusted earnings[1,3]	£163.4m	£110.1m	48%
Adjusted EPS[1,3]	40.9p	27.6p	48%
IFRS profit before tax	£358.0m	£343.1m	4%
IFRS basic EPS	88.9p	85.9p	3%
Dividend per share	32.7p	22.1p	48%
Total accounting return[1]	8.1%	10.2%	
As at	**31 December 2022**	**31 December 2021**	**Change**
EPRA NTA per share[1]	927p	882p	5%
IFRS net assets per share	945p	880p	7%
See-through net debt[2]	£1,734m	£1,522m	14%
Loan to value[2]	31%	29%	2ppts

HIGHLIGHTS

Return to full occupancy in 2022/23, strong demand for 2023/24

- 99% occupancy and 3.5% rental growth for the 2022/23 academic year (2021/22: 94% and 2.3%)
- 83% reserved for 2023/24, driven by rebooking and new university agreements (2022/23: 67%)

Best-in-class operating platform supports continued earnings growth in 2023

- Targeting 6-7% rental growth for 2023/24, supporting EBIT margin of 70% in 2023 (2022: 67.9%)
- Interest rates 97% hedged, resulting in an expected 3.6% cost of debt in 2023 (2022: 3.4%)
- Guidance for 5-8% growth in adjusted EPS in 2023 to 43-44p
- Anticipating a total accounting return of 8-10% in 2023, before the impact of yield movements

Successful project deliveries in 2022, four committed developments for delivery in 2023-2026

- Completion of £229 million of university partnership developments, fully let at a 6.0% yield on cost
- Rental portfolio enhanced through £46 million of refurbishments at a 6.9% yield on cost
- New commitment to two further developments, taking committed pipeline to £339 million

Shortage of quality student homes creates significant opportunities to grow our platform

- Expect to commit to additional developments at attractive returns during 2023
- Ongoing discussions for strategic university partnerships, including acquisition and new development
- Acquired £71 million build-to-rent pilot in Stratford

Rental growth more than offsetting the impact of rising property yields

- Portfolio valuation of £5,690 million (Unite share), up 4.0% on a like-for-like basis
- Net debt/EBITDA reduced to 7.3x (2021: 8.3x), with LTV of 31% (2021: 29%)
- £256 million of disposals at a yield of 5.7%, improving portfolio quality
- Acquisition of USAF units, equivalent to £177 million of GAV at an effective yield of 5.1%

Sustainability strategy delivering a positive impact through people and places

- £13 million of investments in energy initiatives, supporting 2030 net zero target
- Significant improvement in EPC ratings, with 80% of portfolio now A-C rated (2021: 57%)
- £2 million in social value investments, including the Unite Foundation
- Launch of Financial Support to Stay pilot targeted at students most in financial need

1. The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). These financial highlights are based on the European Public Real Estate Association (EPRA) best practice recommendations and these performance measures are published as they are intended to help users in the comparability of these results across other listed real estate companies in Europe. The metrics are also used internally to measure and manage the business and to align to the performance related conditions for Directors' remuneration. See glossary for definitions
2. Excludes IFRS 16 related balances recognised in respect of leased properties. See glossary for definitions.
3. Adjusted earnings and adjusted EPS remove the impact of the LSAV performance fee and abortive acquisition costs 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 can be accessed here. 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 performed strongly in 2022, delivering an increase in earnings and dividends to above their pre-pandemic peak. This reflects the strength of our best-in-class operating platform, the commitment of our teams and the appeal of our affordable, well-located portfolio.

Earnings and dividend ahead of their pre-pandemic peak

The business delivered a strong recovery in financial performance in 2022, with adjusted earnings of £163.4 million and adjusted EPS of 40.9p, both up 48% year-on-year. This reflects an increase in occupancy to 99% and rental growth of 3.5% for the 2022/23 academic year (2020/21: 94% and 2.3%, respectively). IFRS profit before tax of £358.0 million and EPS of 88.9p also reflects the valuation growth of our property portfolio during the year. We have proposed a final dividend of 21.7p which, if approved, makes 32.7p for the full year, representing a payout ratio of 80% of adjusted EPS, underlining our confidence in future business performance.

Total accounting returns for the year were 8.1%, underpinned by a 5% increase in EPRA NTA per share to 927p. Our LTV ratio increased to 31% during the year, reflecting the positive impact of rental growth in our property valuations and the increase in net debt to fund our investment activity. This provides the financial headroom to deliver our committed development pipeline and pursue new growth opportunities.

Our key financial performance indicators are set out below:

Financial highlights[4]	**2022**	**2021**
Adjusted earnings	£163.4m	£110.1m
Adjusted EPS	40.9p	27.6p
IFRS profit before tax	£358.0m	£343.1m
IFRS basic EPS	88.9p	85.9p
Dividend per share	32.7p	22.1p
Adjusted EPS yield	4.6%	3.4%
Total accounting return	8.1%	10.2%
EPRA NTA per share	927p	882p
IFRS net assets per share	945p	880p
Loan to value	31%	29%

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

Positive outlook for 2023/24

We see strong demand for student accommodation, which is reflected in our excellent progress with reservations for the 2023/24 academic year. Across the Group's entire property portfolio, 83% of rooms are now sold for the 2023/24 academic year, significantly ahead of the prior year as well as pre-pandemic levels (2022/23: 67%).

In our strongest markets, we have seen an increasing number of students looking to secure accommodation earlier in the sales cycle than previous years. This early customer interest reflects the appeal of our all-inclusive, fixed-price offer and lower availability in the houses in multiple occupation (HMO) sector as some landlords choose to leave the market in response to rising costs and increasing regulation. We have also seen increased demand from universities, following more cautious behaviour during the pandemic, who see quality accommodation as a key part of their proposition to prospective students.

As a result of this strong demand and the need to offset cost pressures in our business, we now expect to deliver rental growth of 6-7% for 2023/24 (previously at least 5%).

Value for money

We recognise the cost-of-living pressures faced by students and parents and are confident that our fixed price, all-inclusive offer will continue to provide value for money compared to alternative options in the purpose-built student accommodation (PBSA) and HMO sectors. Our pricing is comparable in cost to HMOs once bills are included. This is before allowing for the price certainty on utilities and additional product and service features that we provide, such as on-hand maintenance teams and 24/7 security, in locations close to campus.

Given increases in energy prices, we estimate that students living in HMO will pay over £900 per year for their utilities, Wi-Fi and contents insurance. Thanks to our scale and forward purchasing of utilities, these same services will cost the Company less than £600 for the 2022/23 academic year. These savings equate to around two weeks' rent, which we pass on to students through a single price, fixed at the time of booking, giving our customers certainty over their living costs.

We also recently launched our Financial Support to Stay pilot in partnership with Aldi supermarket, which will see food vouchers distributed to students most in need of financial support, as decided by their university. This pilot scheme will collaborate with universities, including Liverpool John Moores University, Middlesex University, Birmingham City University and the University of Westminster.

Inflation protection

Like many businesses, inflation is creating cost pressures in parts of our operations and development supply chains. Yet, 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. The combination of these open market and contractual rental increases supports rental growth of 6-7% across our total portfolio for the 2023/24 academic year.

Our utility costs are fully hedged through 2023 and 65% for 2024, but costs are increasing as the benefit of cheaper hedges pre-dating the war in Ukraine expire. We are also seeing increased pressure on staffing costs for our frontline teams, driven by competition for staff in similar service sectors, as well as our commitment to being a Real Living Wage employer. We have honoured the 10% increase in the Real Living Wage for 2023 and provided an additional £500 in financial support to our frontline property teams during 2022 in recognition of the cost-of-living challenges facing our staff. These cost pressures have been partially mitigated by the restructuring of the Group's operational business during the first half of the year, which delivered an annualised £2 million saving in staff costs.

Despite these cost increases, we have delivered an improvement in our EBIT margin to 67.9% in 2022 (2021: 62.3%) thanks to our strong income performance. We are targeting further margin growth to 70% in 2023, driven by the increase in occupancy secured for the 2022/23 academic year and a positive outlook for rental growth for 2023/24.

Strategic overview

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
- Attractive returns for shareholders
- Being a responsible and resilient business

Delivering for our customers and universities

We have a best-in-class operating platform in the student accommodation sector, underpinned by our PRISM operating platform, passionate frontline teams and sector-leading student support. We introduced a new operating model during the year, meaning all our properties are now staffed 24/7, 365 days a year, so that students can access in-person support when they need it. We have also made various service enhancements, including further improvements to student support in collaboration with our Higher Education partners as well as digital upgrades to better enable our customers to self-serve the services they need. In addition, we are investing to upgrade PRISM over the next 12-18 months, which will deliver an improved customer experience alongside cost savings through greater efficiency.

The success of our customer initiatives is reflected in an increase in our Net Promoter Score to +38 for the class of 2022 (2021: +35). For those buildings where we delivered major refurbishments during the year, NPS scores improved by an average of more than 50 points. We have also seen a significant increase in our retention of direct-let customers for 2023/24 and have secured demand from universities for an additional 5,000 beds under nomination agreements compared to the same stage in the prior year.

Our long-term university relationships remain a key differentiator for Unite and a source of potential growth opportunities. This is reflected in over 60% of our development pipeline by cost being underpinned by university partnerships. For developments completing in 2022, 78% were let under nomination agreements for an average of nine years with the University of Bristol and King's College London.

We continue to evolve the customer offer in our properties to better appeal to the different customer segments who live with us. There is a significant opportunity to attract more non-first year students who have historically chosen to stay in the HMO sector given their desire for greater independence. We successfully extended our postgraduate trials in six buildings for the 2022/23 academic year and also deliberately tailored our three major refurbishments in Manchester to different segments: UK undergraduates, postgraduates and international students.

Attractive returns for shareholders

We achieved a return to full occupancy for the 2022/23 academic year, as market conditions normalised following the disruption of the previous two years during the Covid-19 pandemic. This supported rental growth of 3.5% for the 2022/23 academic year and an improvement in our EBIT margin to 67.9% (2021: 62.3%). We also delivered total accounting returns of 8.1% for the year, driven by our recurring earnings and the positive impact of rental growth on our property valuations (2021: 10.2%).

The quality, location and scale of our portfolio is key to delivering attractive, sustainable returns for our shareholders. During the year, we made disposals totalling £339 million (Unite share: £256 million) at a blended yield of 5.7% to enhance our overall portfolio quality and fund reinvestment into the improvement of our estate. These proactive sales have reduced our footprint from 25 to 23 markets and completes the disposals of non-strategic assets identified following our acquisition of Liberty Living in 2019.

The proceeds were partially redeployed to increase our investment in USAF, which increased our share of the fund's portfolio by £177 million at an effective acquisition yield of 5.1% and takes our ownership share to 28%. The Group also successfully delivered £275 million in developments and major asset management projects in the year at a blended yield of 6.2%. The schemes were delivered in line with budget and all are fully let for the 2022/23 academic year.

We are committed to four development projects, requiring £200 million in future capex and expected to deliver a yield on cost of 6.7%. We are also reviewing future development starts to ensure projects deliver earnings accretion in an environment of higher funding costs. However, given the strength of demand from students and universities, we expect to commit to further developments during 2023.

Being a responsible and resilient business

Our sustainability strategy is focused on delivering a positive impact through our People and Places initiative. This is driven by the social contribution we make to the students who live with us, our employees and local communities as well as our progress in minimising our impact on the environment.

We continue to make progress towards our objective of becoming a net zero carbon business by 2030. During the year, we invested £13 million in energy initiatives to reduce consumption, save carbon and ensure ongoing compliance with regulations, up from £3 million in 2021. This contributed to a further improvement in the EPC ratings of our portfolio during the year, with 80% of the portfolio now A-C rated (2021: 57%).

We are committed to donating 1% of our annual adjusted earnings to social initiatives. These initiatives will be closely aligned to our purpose of providing a Home for Success for students and supporting wider participation in Higher Education. This includes the Unite Foundation, the charitable trust founded by Unite to provide free accommodation for care leavers and estranged students while at university. The Foundation marked its tenth anniversary this year and, to mark the milestone, Unite provided financial support for 100 new student scholarships for the 2022/23 academic as well as home starter kits for over 200 additional students. Over 600 students have now benefited from scholarships during the Foundation's 10-year history.

Higher Education policy

The Government concluded its consultation on Higher Education policy in 2022, which emphasised a focus on investing in the UK's world-class universities, enabling high-quality outcomes for graduates and making sure that Higher Education remains accessible to all. Going forwards, the Office for Students (OfS) will be responsible for monitoring minimum standards for Higher Education providers based on continuation and completion of courses as well as graduate progression. Application of these standards is in its early days and the OfS will initially work with providers to understand the context for any underperformance. We are confident that our strategic alignment to high- and mid-ranked universities positions us to successfully navigate any risks from restrictions on low-value courses.

International students contribute an estimated £29 billion to the UK economy each year and provide a vital source of funding for universities. However, international students and their impact on migration remains topical, with attention currently focused on the number of dependents coming to the UK with students. Given our product is focused on single-occupancy bedrooms, we see relatively limited risk in the event of more restrictive visa rules for dependents.

Opportunities for growth

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 140,000 (19%) by 2030. Application rates to university have also grown steadily over recent years, reflecting the value young adults place on a higher level of education and the life experience and opportunities it offers.

This backdrop creates significant opportunities to grow the business in the UK student accommodation sector through development and targeted acquisitions in our strongest markets and partnerships with universities.

The HMO sector, which provides homes to over one million students, is increasingly expensive due to rising mortgage costs for landlords and utility costs for tenants. We expect these cost pressures to only grow for private landlords given increasing regulation around the quality of homes and environmental performance standards through EPC certification. We expect this to further reduce the availability of private rented homes over time, increasing demand for the purpose-built, sustainable accommodation we provide.

We believe that there is also an exciting 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. We already serve this market through the 9,000 postgraduate students who live with us each year. In September, we acquired a pilot build-to-rent (BTR) property in Stratford, East London for £71 million. The pilot offers the opportunity to test our operational capability in the sector and understand the potential synergies with our core student business through increased customer retention and cost efficiencies in areas such as maintenance and procurement. Early signs are positive, with new lettings and renewals achieving average rental uplifts of 11%. The property is set to be fully integrated into our operating platform from Q2 2023 and our initial review suggests we have the capabilities to operate effectively and efficiently in the BTR sector.

Positive outlook

We are confident in the outlook for the business, which remains positive, reflecting the underlying strength of student demand, our alignment to high-quality universities and the capabilities of our best-in-class operating platform.

We have seen a strong start to the 2023/24 sales cycle, reflecting the appeal of our high-quality portfolio and fixed-price, all-inclusive offer, which provides students with significant savings and certainty on their bills. We now expect to deliver rental growth of 6-7% for the 2023/24 academic year, enabling us to offset cost pressures and improve our EBIT margin to 70% for 2023. Growing income also offers support to our property valuations as the market adjusts to an environment of higher funding costs. As a result, we expect to deliver 5-8% growth in adjusted EPS in 2023 and a total accounting return of 8-10% before the impact of property yield movements.

There remains a clear need for new high-quality, affordable student accommodation to support the growth of our university partners. We are exploring a variety of routes to fund new growth, while ensuring we maintain a robust and resilient balance sheet. Despite pressures from higher funding and operating costs, we remain confident in our ability to grow earnings and deliver attractive total accounting returns for shareholders.

OPERATIONS REVIEW

Improved occupancy for 2022/23

We achieved occupancy of 99% across our total portfolio for the 2022/23 academic year (2021/22: 94%, 2020/21: 88%), reflecting strong student demand and significantly less disruption from the Covid-19 pandemic than the previous two academic years.

Undergraduate student intake for 2022/23 was flat at 563,000 (2021/22: 562,000), although significantly up from the last pre-pandemic year in 2019/20 (541,000), as universities adjusted their offer making after two years of teacher assessed grades. We saw the highest ever admissions for UK students and non-EU students, up 1% and 15% from the previous year. However, this was offset by the continued reduction in EU student numbers following Brexit and the loss of home fee status for students from the EU.

The recovery to pre-pandemic occupancy levels for the 2022/23 academic year was helped by the return to examinations for UK school leavers, which led to a more normal distribution of grades and therefore students between universities. The normalisation of travel conditions during 2022 has allowed international students to return to studying in the UK despite some localised travel restrictions in China.

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%
2022/23	52%	24%	14%	2%	7%	99%

Strong rental growth

Annual rents increased by 3.5% on a like-for-like basis for 2022/23 (2021/22: 2.3%), reflecting average increases of 4.0% through nomination agreements and 3.1% average increases in direct-let rents. On a like-for-like basis, for beds sold in both 2021/22 and 2022/23, rental growth was 4.5%. Occupancy was broadly consistent across our wholly-owned portfolio, USAF and LSAV.

We started the 2022/23 sales cycle cautiously in late 2021, with the Omicron variant and 'Plan B' Covid-19 restrictions in place, and initially prioritised securing occupancy over rental growth. During the second half of the sales cycle, we saw the pace and pricing of lettings strengthen as concerns around the Omicron variant eased and associated restrictions were gradually lifted.

2022/23 rental growth and occupancy	Rental growth[1]	Occupancy[2]
Nomination agreements	4.0%	
Direct let	3.1%	
Total	**3.5%**	**99%**

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 36,611 beds sold (52% of total) for 2022/23 under nomination agreements (2021/22: 37,359 and 51%). The slight increase in the percentage of beds under nomination agreements reflects greater confidence from universities, as demand for accommodation has normalised following the pandemic and the disposal of a number of primarily direct-let properties during 2022.

The unexpired term of our nomination agreements is 6.3 years, slightly down from 6.7 years in 2021/22. 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. We expect to maintain nomination agreements at around 50-55% of beds going forward.

63% of our nomination agreements, by income, are multi-year and therefore benefit from annual fixed or inflation-linked uplifts based on RPI or CPI. The remaining agreements are single year, and we achieved a renewal rate of 75% on these agreements for 2022/23 (2021/22: 74%). Together, nomination agreements delivered rental uplifts of 4.0% for 2022/23 and are expected to support overall rental growth of 6-7% for 2023/24.

Agreement length	Beds 2022/23	% Income 2022/23
Single year	14,210	39%
2-5 years	9,107	27%
6-10 years	5,491	14%
11-20 years	6,003	15%
20+ years	1,800	5%
Total	**36,611**	**100%**

UK students account for 72% of our customers for 2022/23 (2021/22: 70%), making up a large proportion of the beds under nomination agreements with universities. This represents a significant increase in our weighting to UK students, which stood at only 60% immediately prior to the pandemic, and reflects our success in attracting students from the HMO sector. In addition, 25% and 3% of our customers come from non-EU and EU countries respectively (2021/22: 25% and 5%), reflecting the relative appeal of our all-inclusive, hassle-free product when compared with alternatives in the private-rented sector.

Postgraduates continue to make up around 25% of our direct-let customer base and re-bookers accounted for 23% of our direct-let bookings for the 2022/23 academic year (2021/22: 20%), reflecting the proactive retention campaign in our properties. The growing share of postgraduate and non-first year undergraduate students in our properties supports our strategy of increasing segmentation of our customer offer.

Positive outlook for 2023/24

Applications data for the 2023/24 academic year is encouraging, with total applications down 2% on 2022/23 but still 5% ahead of pre-pandemic levels. We continue to see strongest demand for the high and mid-tariff universities to which we align our portfolio. Application rates remain strong for UK 18-year-olds at 41.5% and there continues to be significant unmet demand for university places, as demonstrated by the nearly 200,000 unplaced students in 2022/23. Applications from international students are 3% higher for 2023/24, with 4% growth from non-EU markets more than offsetting a 2% reduction in EU applicants.

Demand for the Group's accommodation has continued to be strong through the sales cycle to date. Across the Group's entire property portfolio 83% of rooms are now sold for the 2023/24 academic year, significantly ahead of the prior year and pre-pandemic levels (2022/23: 67%). We have seen increased early demand from universities who see quality accommodation as a key part of their proposition to prospective students. Current reservations under nomination agreements account for 54% of available beds for 2023/24, up 6 percentage points versus the same stage in the 2022/23 sales cycle.

In our strongest markets, we have also seen an increasing number of students looking to secure accommodation earlier in the sales cycle than previous years and a significant increase in the level of re-bookers who now make up 28% of direct-let reservations (2022/23: 23%). This is supportive of our guidance for full occupancy and rental growth of 6-7% for the 2023/24 academic year.

Operating costs

The war in Ukraine and other macro-economic factors contributed to inflationary cost pressures during the year. We are partially protected but not immune from the effects of inflation on our cost base, thanks to our hedging policies and proactive steps to deliver efficiencies through technology and a review of our operating model. Inflationary pressures, combined with higher marginal costs from increased occupancy, resulted in a 9% increase in property operating costs during 2022.

Staff costs increased by £1.2 million due to underlying wage increases and the cost-of-living payment made to employees, partially offset by savings following the implementation of our new 24/7 operating model during the year. Our new operating model was implemented in July, with all properties now staffed 24/7 so that students can access in-person support when they need it. Each property now has a general manager, responsible for all aspects of safety, performance and student experience in their property.

We hedge our utility costs in advance of letting rooms, providing visibility over our cost base at the point of sale. This policy helped limit utility cost increases to 4% or £0.9 million during the year. Our utility costs are fully hedged through 2023 and 65% for 2024.

Summer cleaning costs increased by £1.8 million as we returned to a full summer lettings cycle, which delivered incremental income of £10.3 million. Around 15% of the incremental summer income and costs were attributable to the Commonwealth Games in Birmingham where we provided accommodation to support services, including the police. Reflecting the increased summer activity and overall occupancy, marketing costs increased by £0.9 million during the year.

Central and other costs increased by £3.0 million due to inflationary cost increases in respect of buildings insurance, reactive maintenance, broadband and council tax/HMO licences, as well as targeted investment in learning and development to support our new operating model.

Property operating expenses breakdown	**2022 £m**	**2021 £m**	**Change**
Staff costs	(29.6)	(28.4)	5%
Utilities	(22.8)	(21.9)	4%
Summer cleaning	(5.1)	(3.3)	55%
Marketing	(6.7)	(5.8)	16%
Central costs	(11.3)	(9.7)	15%
Other	(23.2)	(21.8)	7%
Property operating expenses	**(98.7)**	**(90.9)**	**9%**

PROPERTY REVIEW

Our property portfolio saw a 4.4% increase in valuations on a like-for-like basis during the year (Unite share: 4.0%), driven principally by rental growth. The see-through net initial yield of the portfolio was 4.7% at 31 December 2022 (December 2021: 4.9%). After disposals and new openings, this reflects like-for-like yield compression of 2 basis points in the year. LSAV reported the largest valuation growth (+5.6%) within the Group, reflecting the strength of rental growth from its predominantly London-based portfolio.

Breakdown of like-for-like capital growth[1]

£m	Valuation 31 Dec 2022	Rental growth	Yield movement	Other[2]	Total
Wholly-owned	3,623	111	(6)	1	106
LSAV	1,921	101	(4)	5	102
USAF	2,888	117	29	(19)	127
Total (Gross)	**8,432**	**329**	**19**	**(13)**	**335**
Total (Unite share)	**5,397**				**185**
% capital growth					
Wholly-owned		3.6%	(0.2)%	0.0%	3.4%
LSAV		5.6%	(0.2)%	0.2%	5.6%
USAF		4.2%	1.1%	(0.7)%	4.6%
Total (Gross)		**4.3%**	**0.3%**	**(0.2)%**	**4.4%**
Total (Unite share)					**4.0%**

1. Excludes leased properties and losses on disposals
2. Other includes changes to operating cost assumptions and income adjustments on reversionary assets

The proportion of the property portfolio that is income generating is 96% by value, up from 94% at 31 December 2021. Properties under development have decreased to 4% of our property portfolio by value (31 December 2021: 6%), following the completion of our developments at Hayloft Point in London and Campbell House in Bristol during the year.

The PBSA investment portfolio is 40% weighted to London by value on a Unite share basis, which is expected to rise to 45% on a built-out basis following completion of our secured development pipeline.

Development and university partnership activity

The combination of growing student demand, slowing supply of new purpose-built student accommodation and a shrinking HMO sector creates significant opportunities for new development. There is widespread acknowledgement from universities and local authorities of the need for new student accommodation to relieve pressure on housing supply. As a result, the current market environment offers the strongest opportunity for new development in recent years.

Our current development pipeline includes 4,863 beds, with a total development cost of £850 million, of which 2,239 beds or 63% by development cost will be delivered in central London.

We reviewed our development activity during the year in light of interest rate increases and higher build cost inflation. We have deferred starts on some developments, enabling us to improve returns through reductions in land prices in some cases and greater certainty over build costs. The improvement in funding markets in recent months also supports greater earnings accretion from our pipeline.

Reflecting this improved outlook, we have recently committed to complete our Lower Parliament Street and Abbey Lane schemes in time for the 2025/26 academic year. We are now committed to four development schemes, totalling 2,123 beds and £339 million in total development costs. The £200 million of costs to complete these projects is fully funded from the Group's cash and available credit facilities, which totalled £397 million at 31 December 2022.

We also expect to commit to further development activity during 2023 through a combination of schemes in our secured pipeline and new opportunities at attractive returns.

Completed schemes

During the year, we completed our developments of Hayloft Point and Campbell House, together comprising 1,351 beds at a cost of £229 million and a development yield of 6.0%. Both schemes are fully let for the 2022/23 academic year. Campbell House is fully let to the University of Bristol under a 15-year nomination agreement and two-thirds of the total beds at Hayloft Point are let to King's College London under a 5-year nomination agreement. Both schemes have achieved BREEAM Excellent ratings and EPC A ratings and are fully electric, with no gas reliance, supporting our commitment to net zero carbon by 2030.

Committed schemes

The Group is committed to four development schemes: Derby Road and Lower Parliament Street in Nottingham, Abbey Lane in Edinburgh and Jubilee House in Stratford. The schemes have a total development cost of £339 million, delivering a blended yield on cost of 7.0% for the PBSA elements.

Our £60 million Derby Road development, offering 705 new beds, will complete for the 2023/24 academic year and is located adjacent to the University of Nottingham campus. We are trialling an enhanced design for the common areas, which we expect to improve customer experience and our ability to offer a Home for Success.

In January 2022, we added Lower Parliament Street, a 271-bed direct-let scheme in Nottingham city centre, to our pipeline. We expect to deliver the fully-consented scheme for the 2025/26 academic year.

At Abbey Lane in Edinburgh, we are planning to deliver a segmented development offering 298 beds in cluster-flats as well as 66 two- and three-bed clusters in a separate block. These smaller flats will be available for postgraduate students, university staff and other young professionals. We are targeting completion for the 2025/26 academic year.

In December 2022, the Group acquired the land for our Jubilee House scheme for £73 million. The student accommodation element of the fully-consented scheme is expected to be delivered in time for the 2026/27 academic year, with construction due to start in the second quarter of 2023. The development will be delivered as a university partnership, with over half of the beds let under a nomination agreement. The mixed-use scheme will also deliver 65,000 square feet of academic space, let for an initial 35-year term to the Secretary of State for Levelling Up, Housing and Communities.

Secured pipeline

The remaining 2,740 beds in our secured pipeline are uncommitted schemes with negligible future capital commitments. We are reviewing the expected returns from these schemes, and will commit to them only where there is a meaningful spread between development yields and funding costs to adequately compensate for the risk of new development. Where planning has not been secured, we have been working with land vendors and our contractors to re-visit development costs to improve returns in response to higher funding costs. Given positive progress with this activity, we expect to commit to further schemes at attractive returns during the course of 2023.

New development opportunities

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

Reflecting increased funding costs, we are seeking higher prospective returns on new direct-let schemes at around 7.5-8.0% in provincial markets and 6.5-7.0% in London. 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. For new schemes, increasing rental growth in our strongest markets is supporting development viability. We also expect moderating build-cost inflation and the opportunity to renegotiate land prices to further enhance returns.

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. Universities increasingly view the availability of high-quality and affordable accommodation as a barrier to their recruitment and an important factor for students when considering where to study. Reflecting the financial and operational constraints faced by universities, there is a growing appetite for strategic partnerships to address this need.

We have agreed to provide a temporary college for Durham University at our 348-bed Rushford Court site in Durham, while an existing college is redeveloped by the university. Subject to planning, there will be additional welfare and common areas to support college living. Following completion of the redevelopment works at Hild Bede college, it is expected that Rushford Court will become Durham's eighteenth college for a 30-year period, further strengthening our partnership with the university.

We intend to deliver our three future London schemes as university partnerships, in line with requirements in the London Plan for the majority of new beds to be leased to a Higher Education provider. Our two Bristol schemes will be delivered as partnerships with the University of Bristol, building on our existing city-wide agreement with the university, and helping to address an acute shortage of student accommodation in Bristol.

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. These include discussions around stock transfer and refurbishment of existing university accommodation as well as new development both on- and off-campus. Our existing university relationships through nomination agreements, best-in-class operating platform and development capability, as well as access to capital, provide us with a unique opportunity to deepen these partnerships.

Secured development and partnerships pipeline

	Type[1]	Target delivery	Secured beds/ units	Total completed value	Total devel. costs	Capex in period	Capex remaining	Forecast NTA remaining	Forecast yield on cost
			no.	£m	£m	£m	£m	£m	%
Committed development									
Derby Road, Nottingham	DL	2023	705	88	60	28	18	14	8.2%
Lower Parliament Street, Nottingham	DL	2025	271	44	36	8	28	9	7.3%
Abbey Lane, Edinburgh	DL	2025	431	73	51	8	40	19	7.0%
Jubilee House, East London[3]	UPT	2026	716	237	192	78	114	39	6.1%
Total Committed			**2,123**	**442**	**339**	**122**	**200**	**81**	**6.7%**
Uncommitted development									
Temple Quarter, Bristol	UPT	2025	595		85	19	63		7.3%
Freestone Island, Bristol[2]	UPT	2026	622		79	1	78		7.0%
Meridian Square, East London[2]	UPT	2027	951		194	3	191		6.4%
TP Paddington, London[2]	UPT	2027	572		153	2	147		6.3%
Total Uncommitted			**2,740**		**511**	**25**	**479**		**6.6%**
Total pipeline			**4,863**		**850**	**147**	**679**		**6.7%**

1. Direct-let (DL), University partnership (UPT)
2. Subject to obtaining planning consent
3. Yield on cost assumes the sale of academic space for c.£65 million

Asset management

In addition to our development activity, we see significant opportunities to create value through asset management projects in our estate. These projects typically have shorter lead times than new developments, often carried out over the summer period, and deliver attractive risk-adjusted returns.

In September, we completed three asset management schemes in Manchester. Investment across the three projects totalled £46 million in aggregate and delivered a 7% yield on cost. The projects delivered new accommodation, refurbished existing rooms and enhanced the environmental performance of the properties. The upgraded assets are fully let for the 2022/23 academic year and support our segmentation strategy, with the three buildings targeted at different market segments according to their designs.

We have a pipeline of further asset management opportunities which support £35-50 million p.a. of future investment activity (Unite share).

Disposals

We continue to manage the quality of the portfolio and our balance sheet leverage by recycling capital through disposals. During the year, the Group completed £339 million of disposals (Unite share: £256 million) at a blended 5.7% yield, which completed the disposal programme set out at the time of our acquisition of Liberty Living in 2019. The disposals saw the Group exit less attractive markets in Reading and Bedford and certain smaller, less operationally efficient assets. The disposals were priced in line with prevailing book value after deductions for associated transaction costs and required fire safety works.

We will continue to recycle capital from disposals to maintain LTV around our 30-35% target range. The level of planned disposals will adjust to reflect capital requirements for our development and asset management activity as well as market pricing.

Acquisitions

During the first half of the year, Unite increased its investment in USAF with the acquisition of £141 million of units through participation in an equity raise and the acquisition of existing units in the secondary market, increasing our stake to 28.2% (31 December 2021: 22.0%). This investment equated to an increase in Unite's see-through GAV of £177 million at an effective property yield of 5.1%, supporting the earnings growth delivered during the year.

We continue to review potential acquisition opportunities alongside our other uses of capital. We are focused on opportunities in our strongest markets aligned to high-quality universities, where we see the ability to deliver attractive and sustainable rental growth over the long term.

Build-to-rent

In October, the Group acquired 180 Stratford, a 178-unit (319 bed) purpose build-to-rent (BTR) asset in Stratford, East London for £71 million. The acquisition enables us to test our operational capability to extend our accommodation offer to young professionals and retain them as customers as they move on to the next stage in their lives. The property adds to our significant existing presence in the Stratford market, where we already operate 1,700 student beds and have two further student developments in our secured pipeline.

Since acquiring the asset, we have begun transferring operational management onto our platform and have significantly advanced our understanding of BTR operations. There are opportunities to leverage our existing operating platform to deliver cost efficiencies and use our BTR product to retain student customers seeking a more independent living experience. Rental growth to date has been significantly ahead of our acquisition assumptions, with new lettings and renewals 11% above previous rental levels. We plan to complete a rolling refurbishment of the building, including new common space and the creation of new units, during 2023 and 2024, which will provide further rental upside.

We do not expect to increase our capital commitment to BTR in the short term. Instead, we are considering opportunities to increase the scale of our BTR operations through co-investment with institutional investors, where Unite would act as asset manager. Subject to identifying suitable opportunities, such a structure would enhance returns for the Group while limiting capital requirements as we develop our understanding of the opportunity in the BTR sector.

Fire safety

The Government has proposed a Building Safety Bill, covering building standards, which is likely to result in more stringent fire safety regulations. Fire safety remains a critical part of our health and safety strategy, and we have a proven track record of leading the sector on fire safety standards through our proactive approach. Our buildings are all safe to operate and we will continue to make future investments in fire safety, as required, to comply with Government regulations.

We have identified 37 properties with High-Pressure Laminate (HPL) cladding, or requiring other fire safety improvements across our estate. We have completed the remediation works for 10 properties (six of which completed during the year) and are currently carrying out the remaining replacement works with activity prioritised according to our risk assessments. We spent £50.5 million (Unite share: £19.4 million) on fire safety capex during the year and have made a further provision for £71.8 million (Unite share: £28.2 million) of future remediation works. At the year end, the total outstanding provision for cladding remediation works was £113.3 million (Unite Share: £59.2 million), the costs for which will be incurred over the next two years.

We are seeking to mitigate the costs of cladding replacement through claims from contractors under build contracts, where appropriate. We have already recovered £28 million (Unite share: £20 million) through successful claims and ultimately expect to recover 50-75% of total replacement costs over time. This is not reflected in our balance sheet due to uncertainty over the timing of any recoveries.

FINANCIAL PERFORMANCE

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 include, among others, measures based on the European Public Real Estate Association (EPRA) best practice recommendations. The metrics are used internally to measure and manage the business.

EPRA and adjusted earnings

We delivered a strong operating performance in 2022, with adjusted earnings increasing by 48% to £163.4 million (2021: £110.1 million), reflecting an increase in rental income and broadly stable costs, including interest, when compared to the prior year. Adjusted EPS also increased by 48% to 40.9p (2021: 27.6p).

	2022 £m	**2021 £m**
Rental income	339.7	282.7
Property operating expenses	(98.7)	(90.9)
Net operating income (NOI)	**241.0**	**191.8**
NOI margin	*70.9%*	*67.8%*
Management fees	17.4	15.9
Overheads	(27.7)	(31.5)
Finance costs	(63.0)	(63.3)
Development and other costs	(5.8)	(2.8)
LSAV performance fee	**-**	41.9
EPRA earnings	**161.9**	**152.0**
LSAV performance fee	**-**	(41.9)
Abortive acquisition costs	1.5	-
Adjusted earnings	**163.4**	**110.1**
Adjusted EPS	**40.9p**	**27.6p**
EPRA EPS	**40.5p**	**38.1p**
EBIT margin	*67.9%*	*62.3%*

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

Sales, rental growth and profitability

Rental income increased by £57.0 million to £339.7 million, up 20%, as a result of higher occupancy, rental growth and the removal of pandemic-related restrictions and rental discounts. Like-for-like rental income, excluding the impact of acquisitions, disposals and development completions, increased by 23% during the year.

This exceeded the 14% increase in operating expenses for like-for-like properties, primarily driven by increased utility costs as a result of higher occupancy, increased staff costs and greater investment into marketing to drive sales for the 2022/23 academic year.

Total net operating income increased by 26% to £241.0 million, translating to an increase in NOI margin to 70.9% (2021: 67.8%).

	FY 2022			FY 2021			YoY change	
£m	**Wholly-owned**	**Share of Fund/JV**	**Total**	**Wholly-owned**	**Share of Fund/JV**	**Total**	**£m**	**%**
Rental income								
Like-for-like properties	223.6	87.3	310.9	184.7	68.1	252.8	58.1	23.0%
Non-like-for-like properties	18.1	10.7	28.8	24.1	5.8	29.9	(1.1)	
Total rental income	**241.7**	**98.0**	**339.7**	**208.8**	**73.9**	**282.7**	**57.0**	**20.2%**
Property operating expenses								
Like-for-like properties	(66.0)	(24.6)	(90.6)	(58.6)	(21.1)	(79.7)	(10.9)	13.7%
Non-like-for-like properties	(6.0)	(2.1)	(8.1)	(9.1)	(2.1)	(11.2)	3.1	
Total property operating expenses	**(72.0)**	**(26.7)**	**(98.7)**	**(67.7)**	**(23.2)**	**(90.9)**	**(7.8)**	**8.6%**
Net operating income								
Like-for-like properties	157.6	62.7	220.3	126.1	46.9	173.1	47.2	27.3%
Non-like-for-like properties	12.1	8.6	20.7	15.0	3.8	18.7	2.0	
Total net operating income	**169.7**	**71.3**	**241.0**	**141.1**	**50.7**	**191.8**	**49.2**	**25.7%**

Overheads decreased by £3.8 million, reflecting underlying cost control and lower performance-related pay. Recurring management fee income from joint ventures increased to £17.4 million (2021: £15.9 million), driven by higher NOI and property valuations in USAF and LSAV. Our EBIT margin improved to 67.9% (2021: 62.3%), reflecting the increase in rental income and lower growth in operating costs and overheads.

We are targeting an improvement in our EBIT margin to 70% in 2023, driven by higher occupancy, rental growth and further efficiencies in areas such as staff costs, procurement and the enhanced use of technology.

Finance costs were held broadly flat at £63.0 million in 2022 (2021: £63.3 million), with reduced borrowings offsetting the increase in our average cost of debt to 3.4% (2021: 3.0%). £6.4 million of interest costs were capitalised during the year (2021: £5.2 million) in relation to our development pipeline.

Development (pre-contract) and other costs increased to £5.8 million (2021: £2.8 million), reflecting a non-recurring tax credit of £2.8 million in the prior year and non-recurring abortive acquisition costs of £1.5 million in respect of a corporate transaction.

IFRS earnings

IFRS profit before tax increased to £358.0 million in the year (2021: £343.1 million), driven by the increase in adjusted earnings of £53.3 million, a revaluation gain net of losses on disposal of £119.2 million (2021: £182.2 million) and £70.7 million from the positive revaluation of interest rate swaps on the back of rising interest rates (2021: £6.7 million).

	2022 £m	2021 £m
Adjusted earnings	**163.4**	**110.1**
LSAV performance fee	-	41.9
Abortive acquisition costs	(1.5)	-
EPRA earnings	**161.9**	**152.0**
Valuation gains/(losses) and loss on disposal	119.2	182.2
Changes in valuation of interest rate swaps and debt break costs	70.7	6.7
Non-controlling interest and other items	6.2	2.2
IFRS profit before tax	**358.0**	**343.1**
Adjusted earnings per share	40.9p	27.6p
IFRS basic earnings per share	88.9p	85.9p

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

EPRA NTA growth

EPRA net tangible assets (NTA) per share, our key measure of NAV, increased by 5% to 927p at 31 December 2022 (31 December 2021: 882p). EPRA net tangible assets were £3,715 million at 31 December 2022, up £183 million from £3,532 million a year earlier.

The main drivers of the £183 million increase in EPRA NTA and 45 pence increase in EPRA NTA per share were revaluation gains on investment properties driven by rental growth and higher occupancy, development surpluses and retained profits, which more than offset the impact of losses on disposals and a further provision for fire safety capex.

	£m	Diluted pence per share
EPRA NTA as at 31 December 2021	**3,532**	**882**
Rental growth	123	31
Yield movement	(12)	(3)
Fire safety capex	(20)	(5)
Development surplus	46	11
Disposals and associated transaction costs	(17)	(4)
Retained profits/other	63	15
EPRA NTA as at 31 December 2022	**3,715**	**927**

IFRS net assets increased by 7% in the year to £3,792.1 million (31 December 2021: £3,527.8 million), principally driven by positive revaluation movements and retained profits. On a per share basis, IFRS NAV increased by 7% to 945p.

Property portfolio

The valuation of our property portfolio at 31 December 2022, including our share of property assets held in USAF and LSAV, was £5,690 million (31 December 2021: £5,287 million). The £403 million increase in portfolio value reflects the valuation movements outlined above, a £177 million increase in the Group's share of USAF, acquisition of a BTR investment property for £71 million, £256 million of completed disposals, and capital expenditure and interest capitalised on developments of £284 million.

Summary balance sheet

	31 December 2022			31 December 2021		
	Wholly-owned £m	**Share of fund/JV £m**	**Total £m**	**Wholly-owned £m**	**Share of fund/JV £m**	**Total £m**
Rental properties	3,623	1,773	5,396	3,323	1,542	4,865
Rental properties (leased)	90	-	90	98	-	98
Properties under development	204	-	204	324	-	324
Total property	3,917	1,773	5,690	3,745	1,542	5,287
Net debt	(1,210)	(524)	(1,734)	(1,030)	(492)	(1,522)
Lease liability	(90)	-	(90)	(94)	-	(94)
Other assets/(liabilities)	(97)	(54)	(151)	(107)	(32)	(139)
EPRA net tangible assets	**2,520**	**1,195**	**3,715**	**2,514**	**1,018**	**3,532**
IFRS NAV	**2,597**	**1,195**	**3,792**	**2,510**	**1,018**	**3,528**
LTV			*31%*			*29%*

Total accounting return

Growth in EPRA NTA was the key component of the 8.1% total accounting return delivered in the year (2021: 10.2%), alongside dividends paid of 26.6p (2021: 19.25p). Our adjusted EPS yield (measured against opening EPRA NTA) increased to 4.6% in the year (2021: 3.4%), reflecting the growth in recurring earnings.

We expect to deliver a total accounting return of 8-10% in 2023 before the impact of any property yield movements. This reflects our guidance for growing recurring earnings and strong rental growth for the 2023/24 academic year.

Cash flow and net debt

The Operations business generated £134.1 million of net cash in 2022 (2021: £108.1 million) and net debt increased to £1,734 million (2021: £1,522 million). The key components of the movement in net debt were:

- Disposal proceeds of £256 million
- Operational cash flow of £141 million on a see-through basis
- The acquisition of units in USAF for £141 million
- Total capital expenditure of £355 million
- Dividends paid of £94 million
- A £19 million outflow for other items

In 2023, 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

During the year, we witnessed a significant increase in Government bond yields, as well as credit spreads for publicly traded debt, as markets reacted to higher inflation and a tightening of monetary policy by central banks. In the period immediately following the UK's mini-budget in September 2022, new borrowing costs rose to prohibitive levels for new investment activity.

Encouragingly, there has been a significant easing in funding market conditions over recent months and lenders remain supportive of the Group and the student accommodation sector.

We are well protected from significant increases in borrowing costs through our well-laddered debt maturity profile and forward hedging of interest rates, but still expect to see our borrowing costs increase over time as we refinance our relatively inexpensive in-place debt.

We are focused on maintaining a robust and flexible balance sheet and will continue to use leverage to support our growth and enhance risk-adjusted returns. However, higher borrowing costs mean we are likely to slightly reduce debt over time. We will seek to manage our LTV to 30-35% on a built-out basis (previously 35%), through disposals and other forms of funding, such as new co-investment vehicles where appropriate.

Key debt statistics (Unite share basis)	31 Dec 2022	31 Dec 2021
See-through net debt	£1,734m	£1,522m
LTV	31%	29%
Net debt: EBITDA ratio	7.3	8.3
Interest cover ratio	3.7	2.8
Average debt maturity	4.1 years	5.0 years
Average cost of debt	3.4%	3.0%
Proportion of investment debt at fixed rate	97%	90%

LTV increased to 31% at 31 December 2022 (31 December 2021: 29%), primarily driven by expenditure on our development pipeline, the acquisition of £141 million of units in USAF and capital expenditure on the investment portfolio, which more than offset the impact of disposals and valuation increases in the period.

With greater focus on the earnings profile of the business, we continue to monitor our interest cover and net debt to EBITDA ratios. In 2022, interest cover improved to 3.7x (2021: 2.8x) and net debt to EBITDA reduced to 7.3x (2021: 8.3x), reflecting the improved operational performance of the business. We are targeting to maintain an ICR ratio of >3.0x and improve our net debt to EBITDA ratio to 6-7x.

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

Funding activity

As at 31 December 2022, the wholly-owned Group had £397 million of cash and debt headroom (31 December 2021: £421 million), comprising of £29 million of drawn cash balances and £368 million of undrawn debt (2021: £96 million and £325 million respectively).

During the year, the Group extended its sustainability-linked revolving credit facility by £150 million to £600 million, on terms in line with the existing facility. The facility maturity has been extended by a year to March 2026, which may be extended by a further year at Unite's request, subject to lender consent.

During the year, LSAV raised a new £400 million syndicated loan for a term of five years, using the proceeds to pay down existing facilities approaching maturity. The £100 million L&G loan facility in LSAV matured in January 2023 and was fully repaid from existing reserves.

USAF has agreed terms for a new £400 million secured loan to refinance its existing £380 million bond maturity in June 2023. We expect to complete the refinancing in the second quarter of 2023 at significantly improved pricing levels compared to those inferred in the second half of 2022.

Interest rate hedging arrangements and cost of debt

Our average cost of debt based on current drawn amounts has increased to 3.4% (31 December 2021: 3.0%). At the year end, 97% of the Group's debt was subject to a fixed or capped interest rates (31 December 2021: 90%), providing protection against future changes in interest rates. Based on our hedging position and market interest rates, we currently expect a cost of debt of 3.6% for FY2023 and 3.8% for FY2024.

Our average debt maturity is 4.1 years (31 December 2021: 5.0 years) and we will continue to proactively manage our debt maturity profile and diversify our lending base. In addition, the Group has £300 million of forward starting interest rate swaps at rates meaningfully below prevailing market levels with a weighted average maturity of just under 11 years.

Dividend

We are proposing a final dividend payment of 21.7p per share (2021: 15.6p), making 32.7p for the full year (2021: 22.1p) and representing a 48% increase compared to 2021. The final dividend will be fully paid as a Property Income Distribution (PID) of 21.7p, which we expect to fully satisfy our PID requirement for the 2022 financial year.

Subject to approval at Unite's Annual General Meeting on 18 May 2023, the dividend will be paid in either cash or new ordinary shares (a 'scrip dividend alternative') on 26 May 2023 to shareholders on the register at close of business on 14 April 2023. The last date for receipt of scrip elections will be 4 May 2023.

During 2022, scrip elections were received for 15.4% and 2.8% of shares in issue for the 2021 final dividend and 2022 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.

We plan to distribute 80% of adjusted EPS as dividends for the 2023 financial year.

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 charge of £0.9 million (2021: £2.8 million credit).

Funds and joint ventures

The table below summarises the key financials at 31 December 2022 for our co-investment vehicles.

	Property assets £m	Net debt £m	Other assets £m	Net assets £m	Unite share of NTA £m	Total return	Maturity	Unite share
USAF	2,888	(725)	(120)	2,043	575	4.7%	Infinite	28%
LSAV	1,921	(639)	(41)	1,241	620	8.9%	2032	50%

Property valuations increased by 4.6% and 5.6% for USAF and LSAV respectively over the year, on a like-for-like basis, reflecting positive rental growth and broadly stable property yields.

USAF is a high-quality, large-scale portfolio of 28,000 beds in leading university cities. The fund has positive future prospects through rental growth and investment opportunities in asset management initiatives in its existing portfolio. 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.

Fees

During the year, the Group recognised net fees of £17.4 million from its fund and asset management activities (2021: £57.8 million). The reduction reflects the recognition of a £41.9 million non-recurring performance fee from LSAV in 2021. Growth in property valuations and NOI over the past 12 months together contributed to growth in recurring fee income received from USAF and LSAV.

	2022 £m	2021 £m
USAF asset management fee	12.6	12.0
LSAV asset and property management fee	4.8	3.9
LSAV performance fee	-	41.9
Total fees	**17.4**	**57.8**

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 relevant financial reporting framework, 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 company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face
- The annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Richard Smith Chief Executive	Joe Lister Chief Financial Officer

28 February 2023

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 Group uses alternative performance measures (APMs), which are not defined or specified under IFRS. These APMs, which are not considered a substitute for IFRS measures, provide additional helpful information and include measures based on the European Public Real Estate Association (EPRA) best practice recommendations. The metrics are used internally to measure and manage the business. 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 2022

	Note	2022 £m	2021 £m
Rental income	2.4	**241.7**	209.0
Other income	2.4	**17.6**	57.9
Total revenue		**259.3**	266.9
Cost of sales		**(70.3)**	(64.4)
Expected credit losses		**(1.7)**	(3.3)
Operating expenses		**(31.0)**	(36.3)
Results from operating activities before gains/(losses) on property		**156.3**	162.9
Loss on disposal of property		**(15.6)**	(12.0)
Net valuation gains/(losses) on property (owned and under development)	3.1	**112.7**	116.9
Net valuation losses on property (leased)	3.1	**(9.3)**	(11.1)
Profit before net financing gains/(costs) and share of joint venture profit		**244.1**	256.7
Loan interest and similar charges	4.3	**(29.3)**	(34.2)
Interest on lease liability	4.3	**(8.1)**	(8.5)
Mark to market changes on interest rate swaps	4.3	**70.7**	10.9
Swap cancellation fair value settlements and loan break costs	4.3	**-**	(4.2)
Finance gains/(costs)		**33.3**	(36.0)
Finance income	4.3	**0.2**	–
Net financing gains/(costs)		**33.5**	(36.0)
Share of joint venture profit	3.3b	**80.4**	122.4
Profit before tax		**358.0**	343.1
Current tax	2.5a	**(0.7)**	0.9
Deferred tax	2.5a	**(0.9)**	0.5
Profit for the year		**356.4**	344.5
Profit for the year attributable to			
Owners of the Parent Company		**355.1**	342.4
Non-controlling interest		**1.3**	2.1
		356.4	344.5
Earnings per share			
Basic	2.2c	**88.9p**	85.9p
Diluted	2.2c	**88.7p**	85.7p

All results are derived from continuing activities.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Note	2022 £m	2021 £m
Profit for the year		**356.4**	344.5
Mark to market movements on hedged instruments		**–**	16.2
Hedges reclassified to profit or loss		**–**	(0.9)
Share of joint venture mark to market movements on hedged instruments	3.3b	**4.7**	0.6
Other comprehensive income for the year		**4.7**	15.9
Total comprehensive income for the year		**361.1**	360.4
Attributable to			
Owners of the Parent Company		**359.8**	358.3
Non-controlling interest		**1.3**	2.1
		361.1	360.4

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 2022	Note	2022 £m	2021 £m
Assets			
Investment property (owned)	3.1	**3,623.4**	3,095.1
Investment property (leased)	3.1	**90.3**	97.7
Investment property (under development)	3.1	**202.7**	324.1
Investment in joint ventures	3.3b	**1,226.6**	1,044.1
Other non-current assets		**21.5**	18.9
Interest rate swaps	4.2	**73.2**	-
Right of use assets		**2.7**	3.6
Deferred tax asset	2.5d	**2.1**	3.0
Total non-current assets		**5,242.5**	4,586.5
Assets classified as held for sale	3.1	**–**	228.2
Interest rate swaps	4.2	**–**	6.1
Inventories	3.2	**12.8**	12.1
Trade and other receivables		**105.2**	108.8
Cash and cash equivalents	5.1	**38.0**	109.4
Total current assets		**156.0**	464.6
Total assets		**5,398.5**	5,051.1
Liabilities			
Interest rate swaps	4.2	**–**	(3.6)
Lease liabilities		**(4.8)**	(4.9)
Trade and other payables		**(191.5)**	(200.7)
Current tax liability		**(0.8)**	(0.1)
Provisions	5.3	**(29.5)**	(33.5)
Total current liabilities		**(226.6)**	(242.8)
Borrowings	4.1	**(1,265.9)**	(1,162.0)
Lease liabilities		**(87.5)**	(91.9)
Total non-current liabilities		**(1,353.4)**	(1,253.9)
Total liabilities		**(1,580.0)**	(1,496.7)
Net assets		**3,818.5**	3,554.4
Equity			
Issued share capital	4.6	**100.1**	99.8
Share premium	4.6	**2,162.0**	2,161.2
Merger reserve		**40.2**	40.2
Retained earnings		**1,483.6**	1,225.0
Hedging reserve		**6.2**	1.6
Equity attributable to the owners of the Parent Company		**3,792.1**	3,527.8
Non-controlling interest		**26.4**	26.6
Total equity		**3,818.5**	3,554.4

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2022

	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 2022		**99.8**	**2,161.2**	**40.2**	**1,225.0**	**1.6**	**3,527.8**	**26.6**	**3,554.4**
Profit for the year		**–**	**–**	**–**	**355.1**	**–**	**355.1**	**1.3**	**356.4**
Other comprehensive income for the year:									
Share of joint venture mark to market movements on hedged instruments	3.3b	**–**	**–**	**–**	**–**	**4.7**	**4.7**	**–**	**4.7**
Total comprehensive income for the year		**–**	**–**	**–**	**355.1**	**4.7**	**359.8**	**1.3**	**361.1**
Shares issued	4.6	**0.3**	**0.8**	**–**	**–**	**–**	**1.1**	**–**	**1.1**
Deferred tax on share-based payments		**–**	**–**	**–**	**0.3**	**–**	**0.3**	**–**	**0.3**
Fair value of share-based payments		**–**	**–**	**–**	**1.3**	**–**	**1.3**	**–**	**1.3**
Own shares acquired		**–**	**–**	**–**	**(1.7)**	**–**	**(1.7)**	**–**	**(1.7)**
Unwind of realised swap gain		**–**	**–**	**–**	**–**	**(0.1)**	**(0.1)**	**–**	**(0.1)**
Dividends paid to owners of the parent company	4.7	**–**	**–**	**–**	**(96.4)**	**–**	**(96.4)**	**–**	**(96.4)**
Dividends to non-controlling interest		**–**	**–**	**–**	**–**	**–**	**–**	**(1.5)**	**(1.5)**
At 31 December 2022		**100.1**	**2,162.0**	**40.2**	**1,483.6**	**6.2**	**3,792.1**	**26.4**	**3,818.5**

	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 year		–	–	–	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

STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Note	2022 £m	2021 £m
Net cash flows from operating activities	5.1	**160.2**	171.3
Investing activities			
Investment in joint ventures		**(144.6)**	–
Capital expenditure on properties		**(316.5)**	(95.9)
Acquisition of intangible assets		**(8.4)**	(3.2)
Acquisition of plant and equipment		**(1.3)**	(0.4)
Proceeds from sale of investment property		**234.1**	307.3
Interest received		**0.2**	–
Dividends received		**38.5**	37.1
Net cash flows from investing activities		**(198.0)**	244.9
Financing activities			
Proceeds from the issue of share capital		**1.1**	1.1
Payments to acquire own shares		**(1.7)**	(1.3)
Interest paid in respect of financing activities		**(43.6)**	(47.9)
Swap cancellation fair value settlements and debt exit costs		**–**	(4.2)
Proceeds from non-current borrowings		**105.7**	147.0
Repayment of borrowings		**–**	(675.0)
Dividends paid to the owners of the parent company		**(85.1)**	(57.2)
Withholding tax paid on distributions		**(8.7)**	(7.0)
Dividends paid to non-controlling interest		**(1.3)**	(0.6)
Net cash flows from financing activities		**(33.6)**	(645.1)
Net decrease in cash and cash equivalents		**(71.4)**	(228.9)
Cash and cash equivalents at start of year		**109.4**	338.3
Cash and cash equivalents at end of year		**38.0**	109.4

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 2022 or 2021 but is derived from those accounts. Statutory accounts for 2021 have been delivered to the Registrar of Companies, and those for 2022 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 2022 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 2022/23 and 2023/24 academic years. The impact of our ESG asset transition plans are included within the cash flows which have been modelled. The assessment includes a base case assuming cash collection and performance for the 2022/23 academic year remains in line with current expectations and sales performance for the 2023/24 academic year consistent with published guidance; and a reasonable worst case scenario where income for the 2023/24 academic year is impacted by reduced sales, equivalent to occupancy of around 90%. 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 70% before there would be a breach. The Group has capacity for property valuations to fall by 35% before there would be a breach of the tightest LTV and gearing covenants. Were income or asset values to fall beyond these levels, the Group has certain cure rights, such that an immediate default could be avoided.

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 these financial statements.

Section 2: Results for the year

IFRS performance measures

	Note	2022 £m	2021 £m	2022 pps	2021 pps
Profit after tax	2.2c	**355.1**	342,2	**88.9p**	85.9p
Net assets	2.3d	**3,792.1**	3,527.8	**945p**	880p

EPRA performance measures

	Note	2022 £m	2021 £m	2022 pps	2021 pps
EPRA earnings	2.2c	**161.9**	152.0	**40.5p**	38.1p
Adjusted earnings*	2.2c	**163.4**	110.1	**40.9p**	27.6p
EPRA NTA	2.3d	**3,715.2**	3,532.2	**927p**	882p

* 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 2022 and 31 December 2021 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 2022, in consideration of EPRA's focus on presenting clear comparability in results from recurring operational activities, EPRA earnings excludes abortive costs. In 2021, EPRA earnings was adjusted to remove the impact of the LSAV performance fee. Given the quantum of the LSAV performance fee in the year, it was excluded from adjusted earnings to improve the comparability of results year-on-year. The reconciliation between profit 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

2022

	Unite £m	Share of joint ventures USAF £m	LSAV £m	Group on EPRA basis Total £m
Rental income	**241.7**	**48.8**	**49.2**	**339.7**
Property operating expenses	**(72.0)**	**(15.9)**	**(10.8)**	**(98.7)**
Net operating income	**169.7**	**32.9**	**38.4**	**241.0**
Management fees	**21.4**	**(4.0)**	**–**	**17.4**
Overheads	**(26.4)**	**(0.7)**	**(0.6)**	**(27.7)**
Interest on lease liabilities	**(8.1)**	**–**	**–**	**(8.1)**
Net financing costs	**(33.4)**	**(7.7)**	**(13.8)**	**(54.9)**
Operations segment result	**123.2**	**20.5**	**24.0**	**167.7**
Property segment result	**(1.2)**	**–**	**–**	**(1.2)**
Unallocated to segments	**(4.3)**	**(0.2)**	**(0.1)**	**(4.6)**
EPRA earnings	**117.7**	**20.3**	**23.9**	**161.9**
Abortive costs	**1.5**	**–**	**–**	**1.5**
Adjusted earnings	**119.2**	**20.3**	**23.9**	**163.4**

Included in the above is rental income of £18.1 million and property operating expenses of (£9.7 million) relating to sale and leaseback properties. Included in the above is rental income of £0.7 million and property operating expenses of (£0.2 million), relating to a build-to-rent property.

The unallocated to segments balance includes abortive costs of (£1.5 million), the fair value of share-based payments of (£1.6 million), contributions to the Unite Foundation of (£0.6 million), deferred tax credit of £0.2 million and current tax credit of £0.7 million. Depreciation and amortisation totalling (£7.8 million) is included within overheads.

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.

2.2b) IFRS reconciliation to EPRA earnings and adjusted 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, which are included in the profit reported under IFRS. EPRA earnings and adjusted earnings reconcile to the profit attributable to owners of the parent company as follows:

	Note	2022 £m	2021 £m
Profit attributable to owners of the parent company		**355.1**	342.4
Net valuation (gains)/losses on investment property (owned)	3.1	**(112.7)**	(116.9)
Property disposals (owned)		**15.6**	12.0
Net valuation losses on investment property (leased)	3.1	**9.3**	11.1
Amortisation of fair value of debt recognised on acquisition		**(4.3)**	(4.3)
Share of joint venture (gains)/losses on investment property	3.3b	**(32.3)**	(88.7)
Share of joint venture property disposals	3.3b	**0.9**	0.3
Swap cancellation fair value settlements and loan break costs	4.3	**–**	4.2
Mark to market changes on interest rate swaps	4.3	**(70.7)**	(10.9)
Current tax relating to property disposals		**(0.2)**	1.1
Deferred tax	2.5d	**0.7**	0.3
Non-controlling interest share of reconciling items*		**0.5**	1.4
EPRA earnings	2.2a	**161.9**	152.0
Net LSAV performance fee		**–**	(41.9)
Abortive costs		**1.5**	–
Adjusted earnings	2.2a	**163.4**	110.1

* 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 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 2022 and 2021 are as follows:

	Note	2022 £m	2021 £m	2022 pps	2021 pps
Earnings					
Basic		**355.1**	342.4	**88.9p**	85.9p
Diluted		**355.1**	342.4	**88.7p**	85.7p
EPRA	2.2b	**161.9**	152.0	**40.5p**	38.1p
Adjusted	2.2b	**163.4**	110.1	**40.9p**	27.6p
Weighted average number of shares (thousands)					
Basic				**399,581**	398,742
Dilutive potential ordinary shares (share options)				**584**	829
Diluted				**400,615**	399,571

Movements in the weighted average number of shares have resulted from the issue of shares arising from the employee share-based payment schemes. In 2022, there were 19,015 options excluded from the potential dilutive shares that did not affect the diluted weighted average number of shares (2021: none).

2.3 Net assets

2.3a) EPRA 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.

2022		Share of JVs		
	Unite £m	USAF £m	LSAV £m	Group on EPRA basis £m
Investment property (owned)	**3,623.4**	**813.0**	**960.4**	**5,396.8**
Investment property (leased)	**90.3**	**–**	**–**	**90.3**
Investment property (under development)	**202.7**	**–**	**–**	**202.7**
Total property portfolio	**3,916.4**	**813.0**	**960.4**	**5,689.8**
Debt on properties	**(1,247.8)**	**(239.8)**	**(385.2)**	**(1,872.8)**
Lease liabilities	**(90.4)**	**–**	**–**	**(90.4)**
Cash	**38.0**	**35.6**	**65.6**	**139.2**
Net debt	**(1,300.2)**	**(204.2)**	**(319.6)**	**(1,824.0)**
Other assets and (liabilities)	**(78.3)**	**(33.6)**	**(20.4)**	**(132.3)**
Intangibles per IFRS balance sheet	**(18.3)**	**–**	**–**	**(18.3)**
EPRA NTA	**2,519.6**	**575.2**	**620.4**	**3,715.2**
Loan to value*	**32%**	**25%**	**33%**	**31%**
Loan to value post IFRS 16	**33%**	**25%**	**33%**	**32%**

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

2021	Unite £m	Share of JVs 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.

Unite investment portfolio analysis at 31 December 2022

		Wholly-owned	USAF	LSAV	Lease	Total	Unite share
London	Value (£m)	1,213	438	1,652	15	3,317	2,177
	Beds	3,802	1,863	6,649	260	12,574	40%
	Properties	11	6	14	1	32	
Prime regional	Value (£m)	1,106	741	-	22	1,869	1,336
	Beds	7,982	5,351	-	618	13,951	24%
	Properties	17	17	-	2	36	
Major regional	Value (£m)	1,130	1,482	269	26	2,907	1,708
	Beds	15,014	17,889	3,067	753	36,723	31%
	Properties	28	42	1	2	73	
Provincial	Value (£m)	104	227	-	27	357	195
	Beds	2,609	2,821	-	1,059	6,489	4%
	Properties	6	6	-	3	15	
Total PBSA	**Value (£m)**	**3.552**	**2,888**	**1,921**	**90**	**8,451**	**5,416**
	Beds	29,407	27,924	9,716	2,690	69,737	*99%*
	Properties	62	71	15	8	156	
Build-to-rent	Value (£m)	71	-	-	-	71	71
	Units	178	-	-	-	178	1%
	Properties	1	-	-	-	1	
Total	**Value (£m)**	**3,623**	**2,888**	**1,921**	**90**	**8,522**	**5,487**
	Beds/Units	29,585	27,924	9,716	2,690	69,915	100%
	Properties	63	71	15	8	157	
Unite ownership share		100%	28%	50%	100%		
	Value (£m)	**3,623**	**813**	**960**	**90**	**5,487**	

2.3b) Movement in EPRA NTA during the year

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

2022

			Share of joint ventures		Group on EPRA basis
	Note	Unite £m	USAF £m	LSAV £m	Total £m
Operations					
Operations segment result	2.2a	**123.2**	**20.5**	**24.0**	**167.7**
Add back amortisation of intangibles		**5.9**	**–**	**–**	**5.9**
Total Operations		**129.1**	**20.5**	**24.0**	**173.6**
Property					
Rental growth		**117.1**	**0.5**	**32.6**	**150.2**
Yield movement		**(11.0)**	**2.2**	**(3.0)**	**(11.8)**
Disposal losses (owned)		**(15.6)**	**(0.9)**	**–**	**(16.5)**
Investment property gains (owned)		**90.5**	**1.8**	**29.6**	**121.9**
Investment property losses (leased)	3.1a	**(9.3)**	**–**	**–**	**(9.3)**
Investment property gains (under development)	3.1a	**6.6**	**–**	**–**	**6.6**
Pre-contract/other development costs	2.2a	**(1.2)**	**–**	**–**	**(1.2)**
Total Property		**86.6**	**1.8**	**29.6**	**118.0**
Unallocated					
Shares issued		**1.1**	**–**	**–**	**1.1**
Investment in joint ventures		**(102.4)**	**122.0**	**(19.6)**	**–**
Dividends paid		**(96.4)**	**–**	**–**	**(96.4)**
Abortive costs		**(1.5)**	**–**	**–**	**(1.5)**
Acquisition of intangibles		**(8.0)**	**–**	**–**	**(8.0)**
Other		**(3.3)**	**(0.3)**	**(0.2)**	**(3.6)**
Total Unallocated		**(210.5)**	**121.7**	**(19.8)**	**(108.6)**
Total EPRA NTA movement in the year		**5.2**	**144.0**	**33.8**	**183.0**
Total EPRA NTA brought forward		**2,514.4**	**431.2**	**586.6**	**3,532.2**
Total EPRA NTA carried forward		**2,519.6**	**575.2**	**620.4**	**3,715.2**

The £3.3 million other balance within the unallocated segment includes the purchase of own shares of (£1.7 million), contributions to the Unite Foundation of (£0.6 million) and tax credits of £0.9 million.

2021

	Note	Unite £m	Share of joint ventures USAF £m	LSAV £m	Group on EPRA basis 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 losses (owned)*		54.6	16.9	70.4	141.9
Investment property losses (leased)	3.1a	(11.1)	–	–	(11.1)
Investment property losses (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
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).

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:

2022

	NTA £m	NRV £m	NDV £m
Net assets reported under IFRS	**3,792.1**	**3,792.1**	**3,792.1**
Mark to market interest rate swaps	**(77.4)**	**(77.4)**	**–**
Unamortised swap gain	**(1.4)**	**(1.4)**	**(1.4)**
Mark to market of fixed rate debt	**–**	**–**	**(154.7)**
Unamortised fair value of debt recognised on acquisition	**19.5**	**19.5**	**19.5**
Current tax	**0.7**	**0.7**	**–**
Intangibles per IFRS balance sheet	**(18.3)**	**–**	**–**
Real estate transfer tax	**–**	**300.7**	**–**
EPRA reporting measure	**3,715.2**	**4,034.2**	**3,655.5**

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

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	2022 £m	2021 £m	2022 pps	2021 pps
Basic		**3,792.1**	3,527.8	**945p**	880p
EPRA NTA	2.3a	**3,715.2**	3,532.2	**928p**	885p
EPRA NTA (diluted)		**3,718.3**	3,536.1	**927p**	882p
EPRA NRV	2.3c	**4,034.2**	3,825.9	**1,008p**	959p
EPRA NRV (diluted)		**4,037.3**	3,829.7	**1,006p**	955p
EPRA NDV		**3,655.5**	3,499.7	**913p**	877p
EPRA NDV (diluted)		**3,658.5**	3,503.6	**912p**	874p

Number of shares (thousands)	2022	2021
Basic	**400,292**	399,140
Outstanding share options	**895**	1,687
Diluted	**401,187**	400,827

2.4 Revenue and costs

The Group earns revenue from the following activities:

		Note	2022 £m	2021 £m
Rental income*	Operations segment	2.2a	**241.7**	209.0
Management fees	Operations segment		**17.6**	16.2
LSAV performance fee	Unallocated		**–**	41.9
			259.3	267.1
Impact of non-controlling interest on management fees			**(0.2)**	(0.2)
Total revenue			**259.1**	266.9

* EPRA earnings includes £339.7 million (2021: £282.7 million) of rental income, which is comprised of £241.7 million (2021: £209.0 million) recognised on wholly owned assets and a further £98.0 million (2021: £73.7 million) from joint ventures, which is included in share of joint venture profit in the consolidated income statement.

The LSAV and USAF performances are constrained this year due to an inability to meet the highly probable criteria that the fees would be earned. In the year to 31 December 2021, the LSAV performance fee under the previous agreement crystalised and a total fee of £41.9 million was recognised.

The cost of sales included in the consolidated income statement includes property operating expenses of £70.3 million (2021: £64.4 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 charge/(credit) in the income statement is analysed as follows:

	2022 £m	2021 £m
Corporation tax on residual business income arising in UK companies	**0.5**	1.0
Income tax on UK rental income arising in non-UK companies	**0.4**	0.3
Adjustments in respect of prior periods	**(0.2)**	(2.2)
Current tax charge/(credit)	**0.7**	**(0.9)**
Origination and reversal of temporary differences	**0.5**	(0.2)
Effect of change in tax rate	**–**	(0.2)
Adjustments in respect of prior periods	**0.4**	(0.1)
Deferred tax charge/(credit)	**0.9**	**(0.5)**
Total tax charge/(credit) in income statement	**1.6**	**(1.4)**

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

In the income statement, a tax charge of £1.6 million arises on a profit before tax of £358.0 million. The taxation credit that would arise at the standard rate of UK corporation tax is reconciled to the actual tax charge as follows:

	2022 £m	2021 £m
Profit before tax	**358.0**	**343.1**
Income tax using the UK corporation tax rate of 19% (2021: 19%)	**67.2**	65.2
Property rental business profits exempt from tax in the REIT Group	**(27.5)**	(18.4)
Property revaluations not subject to tax	**(25.8)**	(43.3)
Mark to market changes in interest rate swaps not subject to tax	**(13.4)**	(2.9)
Effect of indexation on investments	**0.1**	–
Effect of other permanent differences	**0.5**	0.2
Effect of tax deduction transferred to equity on share schemes	**0.3**	0.3
Rate difference on deferred tax	**–**	(0.2)
Prior year adjustments	**0.2**	(2.3)
Total tax charge/(credit) in income statement	**1.6**	**(1.4)**

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 2022 these losses totalled £15.3 million (2021: £14.6 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 2022 the required PID is expected to be fully paid by the end of 2023.

2.5b) Tax – other comprehensive income

Within other comprehensive income a tax charge totalling £nil (2021: £nil) has been recognised representing deferred tax.

2.5c) Tax – statement of changes in equity

Within the statement of changes in equity a tax charge totalling £0.2 million (2021: £0.6 million credit) has been recognised representing deferred tax. An analysis of this is included below in the deferred tax movement table.

2.5d) Tax – balance sheet

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

2022

	At 31 December 2021 £m	Charged/(credited) in income £m	Charged/(credited) in equity £m	At 31 December 2022 £m
Investments	**–**	**0.4**	**–**	**0.4**
Property, plant and machinery and provisions	**(1.2)**	**(0.1)**	**–**	**(1.3)**
Share schemes	**(1.8)**	**0.3**	**0.3**	**(1.2)**
Tax value of carried forward losses recognised	**–**	**0.3**	**(0.3)**	**–**
Net tax (assets)/liabilities	**(3.0)**	**0.9***	**–**	**(2.1)**

* The £0.9 million balance above includes tax movements totaling £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 £0.7 million movement shown in note 2.2b.

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)	(1.9)	(0.5)*	(0.6)	(3.0)

* The £0.5 million balance above includes tax movements totaling £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.

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 2022 and 2021.

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 Leadership Team 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 2022 are shown in the table below.

2022

	Investment property (owned) £m	Investment property (leased) £m	Investment property (under development) £m	Total £m
At 1 January 2022	**3,095.1**	**97.7**	**324.1**	**3,516.9**
Additions	**71.1**	**-**	**-**	**71.1**
Cost capitalised	**38.6**	**1.9**	**187.7**	**228.2**
Interest capitalised	**0.5**	**–**	**5.9**	**6.4**
Transfer from investment property under development	**326.5**	**–**	**(326.5)**	**–**
Transfer from work in progress	**–**	**–**	**4.9**	**4.9**
Disposals	**(14.5)**	**–**	**–**	**(14.5)**
Valuation gains	**168.6**	**–**	**19.4**	**188.0**
Valuation losses	**(62.5)**	**(9.3)**	**(12.8)**	**(84.6)**
Net valuation gains/(losses)	**106.1**	**(9.3)**	**6.6**	**103.4**
Carrying and market value at 31 December 2022	**3,623.4**	**90.3**	**202.7**	**3,916.4**

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 investment property under development	–	–	2.1	2.1
Transfer from work in progress	(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 gains/(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 are comprised entirely of 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.

Included within investment properties at 31 December 2022 are £28.4 million (2021: £28.8 million) of assets held under a long leasehold and £0.1 million (2021: £0.1 million) of assets held under short leasehold.

Total interest capitalised in investment properties (owned) and investment properties under development at 31 December 2022 was £63.5 million (2021: £57.4 million) on a cumulative basis. Total internal costs capitalised in investment properties (owned) and investment properties under development was £81.7 million at 31 December 2022 (2021: £74.3 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	**2022** **£m**	**2021** **£m**
London – rental properties	**1,212.8**	849.8
Prime regional – rental properties	**1,105.6**	992.9
Major regional – rental properties	**1,130.0**	1,263.5
Provincial – rental properties	**103.9**	217.1
London – development properties	**91.9**	249.9
Prime regional – development properties	**32.4**	48.4
Major regional – development properties	**64.1**	25.8
London build-to-rent – rental properties	**71.1**	–
Prime regional build-to-rent – development properties	**14.3**	–
Investment property (owned)	**3,826.1**	3,647.4
Investment property (leased)	**90.3**	97.7
Market value (including assets classified as held for sale)	**3,916.4**	3,745.1
Investment property (classified as held for sale)	**–**	(228.2)
Market value	**3,916.4**	3,516.9

The valuations have been prepared in accordance with the latest version of the RICS Valuation – Global Standards (incorporating the International Valuation Standards) and the UK national supplement (the "Red Book") based on net rental income, estimated future costs, occupancy, property management costs and the net initial yield or discount rate.

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 comparable 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)

	2022 £m	2021 £m
Opening fair value	**3,516.9**	3,903.7
Gains and (losses) recognised in income statement	**103.4**	105.8
Transfer to current assets classified as held for sale	**–**	(228.2)
Capital expenditure	**310.6**	136.7
Disposals	**(14.5)**	(401.1)
Closing fair value	**3,916.4**	3,516.9
Investment property (classified as held for sale)	**–**	228.2
Closing fair value (including assets classified as held for sale)	**3,916.4**	3,745.1

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

2022

	Fair value £m	Valuation technique	Unobservable inputs	**Range**	**Weighted average**
London – rental properties	**1,212.8**	RICS Red Book	Net rental income (£ per week) Estimated future rent increase (%) Net initial yield/discount rate (%)	£208 - £392 2.0% - 4.0% 3.7% - 4.5%	£308 3.0% 3.9%
Prime regional – rental properties	**1,105.6**	RICS Red Book	Net rental income (£ per week) Estimated future rent increase (%) Net initial yield/discount rate (%)	£148 - £243 2.0% - 5.0% 4.1% - 6.2%	£163 3.0% 4.7%
Major regional – rental properties	**1,130.0**	RICS Red Book	Net rental income (£ per week) Estimated future rent increase (%) Net initial yield/discount rate (%)	£99 - £178 2.0% - 3.0% 4.5% - 7.0%	£128 3.0% 5.7%
Provincial – rental properties	**103.9**	RICS Red Book	Net rental income (£ per week) Estimated future rent increase (%) Net initial yield/discount rate (%)	£107 - £156 2.0% - 3.0% 6.8% - 21.5%	£123 3.0% 8.6%
London – development properties	**91.9**	RICS Red Book	Estimated cost to complete (£m) Net rental income (£ per week) Estimated future rent increase (%) Net initial yield/discount rate (%)	£111.4m-£177.1m £183 - £366 3.0% 3.7%	£150.2m £248 3.0% 3.7%
Prime regional – development properties	**32.4**	RICS Red Book	Estimated cost to complete (£m) Net rental income (£ per week) Estimated future rent increase (%) Net initial yield/discount rate (%)	£17.5m - £58.3m £171 - £235 2.5% - 3.0% 4.25% – 5.0%	£44.7m £184 3.0% 4.5%
Major regional – development properties	**64.1**	RICS Red Book	Estimated cost to complete (£m) Net rental income (£ per week) Estimated future rent increase (%) Net initial yield/discount rate (%)	£18.2m - £28.4m £185 - £287 3.0% 4.9% - 4.95%	£21.1m £198 3.0% 4.9%
	3,740.7				
Investment property - build-to-rent	**71.1**	RICS Red Book	Net rental income (£ per week) Estimated future rent increase (%) Net initial yield/discount rate (%)	£359 3.0% 3.9%	£359 3.0% 3.9%
Development property - build-to-rent	**14.3**	RICS Red Book	Estimated cost to complete (£m) Net rental income (£ per week) Estimated future rent increase (%) Net initial yield/discount rate (%)	£12.8m - £20.4m £170 - £614 3.0% 3.9%– 4.3%	£15.6m £312 3.0% 4.03%
	3,826.1				
Investment property (leased)	**90.3**	Discounted cash flows	Net rental income (£ per week) Estimated future rent increase (%) Discount rate (yield) (%)	£99 - £191 1.0% - 3.0% 6.3%	£154 2.0% 6.3%
Fair value at 31 December 2022	**3,916.4**				

2021

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

Fair value sensitivity analysis

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

Class of assets	Fair value at 31 December 2022 £m	+5% change in estimated net rental income £m	-5% change in estimated net rental income £m	+25 bps change in nominal equivalent yield £m	-25 bps change in nominal equivalent yield £m
Rental properties					
London	**1,212.8**	**1,272.9**	**1,152.7**	**1,138.9**	**1,297.1**
Prime regional	**1,105.6**	**1,160.5**	**1,051.2**	**1,049.4**	**1,168.9**
Major regional	**1,130.0**	**1,186.6**	**1,073.7**	**1,081.7**	**1,183.1**
Provincial	**103.9**	**109.2**	**98.7**	**100.9**	**107.2**
Development properties					
London	**91.9**	**95.9**	**86.6**	**85.6**	**97.6**
Prime regional	**32.4**	**38.5**	**35.1**	**35.0**	**38.8**
Major regional	**64.1**	**67.2**	**61.0**	**61.0**	**67.3**
Build-to-rent properties					
London	**71.1**	**76.0**	**68.8**	**68.1**	**77.3**
Prime regional	**14.3**	**15.1**	**13.7**	**13.6**	**15.4**
Market value	**3,826.1**	**4,021.9**	**3,641.5**	**3,634.2**	**4,052.7**

3.2 Inventories

	2022 £m	2021 £m
Interests in land	**11.4**	10.8
Other stocks	**1.4**	1.3
Inventories	**12.8**	12.1

At 31 December 2022, the Group had interests in two pieces of land (2021: two pieces of land).

3.3 Investments in joint ventures

The Group has two joint ventures:

Joint venture	Group's share of assets/results 2022 (2021)	Objective	Partner	Legal entity in which Group has interest
The UNITE UK Student Accommodation Fund (USAF)	29.5%* (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 28.15% (2021: 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:

2022

	USAF £m			LSAV £m		Total £m	
	Gross	MI	Share	Gross	Share	Gross	Share
Investment property	**2,888.1**	**38.0**	**813.0**	**1,920.8**	**960.4**	**4,808.9**	**1,811.4**
Cash	**126.5**	**1.7**	**35.6**	**131.2**	**65.6**	**257.7**	**102.9**
Debt	**(851.9)**	**(11.2)**	**(239.8)**	**(770.4)**	**(385.2)**	**(1,622.3)**	**(636.2)**
Swap assets/(liabilities)	**3.2**	**-**	**0.9**	**6.6**	**3.3**	**9.8**	**4.2**
Other current assets	**126.5**	**1.7**	**35.6**	**16.4**	**8.2**	**142.9**	**45.5**
Other current liabilities	**(245.8)**	**(3.4)**	**(69.2)**	**(57.2)**	**(28.6)**	**(303.0)**	**(101.2)**
Net assets	**2,046.6**	**26.8**	**576.1**	**1,247.4**	**623.7**	**3,294.0**	**1,226.6**
Non-controlling interest	**-**	**(26.8)**	**-**	**–**	**–**	**-**	**(26.8)**
Swap (assets)/liabilities	**(3.2)**	**-**	**(0.9)**	**(6.6)**	**(3.3)**	**(9.8)**	**(4.2)**
EPRA NTA	**2,043.4**	**-**	**575.2**	**1,240.8**	**620.4**	**3,284.2**	**1,195.6**
Profit for the year	**124.2**	**1.3**	**26.1**	**106.0**	**53.0**	**230.2**	**80.4**

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 (assets)/liabilities	(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

Net assets and profit 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 £182.5 million during the year ended 31 December 2022 (2021: £195.1 million), resulting in an overall carrying value of £1,226.6 million (2021: £1,044.1 million).

The following table shows how the increase has arisen.

	2022 £m	2021 £m
Recognised in the income statement:		
Operations segment result	**44.5**	30.2
Non-controlling interest share of Operations segment result	**1.3**	1.1
Management fee adjustment related to trading with joint venture	**4.0**	3.0
Net valuation gains/(losses) on investment property	**32.3**	88.7
Property disposals	**(0.9)**	(0.3)
Other	**(0.8)**	(0.3)
	80.4	122.4

Recognised in equity:		
Movement in effective hedges	**4.7**	0.6
Other adjustments to the carrying value:		
Profit adjustment related to trading with joint venture	**(4.0)**	(3.4)
Profit adjustment related to sale of property with LSAV	**–**	(1.9)
Additional capital invested in LSAV	**–**	157.6
Additional capital invested in USAF	**140.9**	–
LSAV performance fee	**–**	(42.2)
USAF distributions received	**(19.8)**	(18.6)
LSAV distributions received	**(19.7)**	(19.4)
Increase in carrying value	**182.5**	195.1
Carrying value at 1 January	**1,044.1**	849.0
Carrying value at 31 December	**1,226.6**	1,044.1

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.

	2022 £m	**2021 £m**
USAF	**16.6**	15.2
LSAV	**4.8**	3.9
Asset and property management fees	**21.4**	19.1
LSAV performance fee	**–**	41.9
Investment management fees	**–**	41.9
Total fees	**21.4**	61.0

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 £4.0 million (2021: £3.2 million), which results in management fees from joint ventures of £17.4 million being shown in the Operating segment result in note 2.2a (2021: £15.9 million).

During 2022, the Group did not sell any properties to LSAV or USAF (2021: two properties sold to LSAV for gross proceeds of £341.9 million). 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 loss relating to the sales, associated disposal costs and related cash flows are set out below:

	Profit and loss	
	2022 £m	**2021 £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	
	2022 £m	**2021 £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	
	2022 £m	**2021 £m**
Current		
In one year or less, or on demand	–	–
Non-current		
In more than one year but not more than two years	**298.7**	–
In more than two years but not more than five years	**228.0**	419.2
In more than five years	**721.1**	719.0
	1,247.8	1,138.2
Unamortised fair value of debt recognised on acquisition	**18.1**	23.8
Total borrowings	**1,265.9**	1,162.0

In addition to the borrowings currently drawn as shown above, the Group has available undrawn facilities of £368.0 million (2021: £325.0 million). A further overdraft facility of £10.0 million (2021: £10.0 million) is also available.

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

	2022		2021	
	Carrying value £m	**Fair value £m**	**Carrying value £m**	**Fair value £m**
Level 1 IFRS fair value hierarchy	**875.0**	**759.3**	898.8	936.7
Other loans and unamortised arrangement fees	**372.8**	**333.8**	263.2	263.2
Total borrowings	**1,247.8**	**1,093.1**	1,162.0	1,199.9

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:

2022

	at 1 January 2022	**Financing cash flows**	**Fair Value adjustments**	**Other changes**	**at 31 December 2022**
Borrowings	**1,162.0**	**107.0**	**(4.3)**	**1.2**	**1,265.9**
Lease liabilities	**96.8**	**(4.8)**	**–**	**0.3**	**92.3**
Interest rate swaps	**(2.5)**	**–**	**(70.7)**	**–**	**(73.2)**
Total liabilities from financing activities	**1,256.3**	**102.2**	**(75.0)**	**1.5**	**1,285.0**

2021

	at 31 December 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

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:

	2022 £m	**2021 £m**
Current	**–**	(2.5)
Non-current	**(73.2)**	–
Fair value of interest rate swaps	**(73.2)**	(2.5)

The fair value of interest rate swaps (a debit balance in 2022 and 2021) 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 2022 the net current asset fair value above comprises assets of £73.2 million (2021: assets of £6.1 million and liabilities of £3.6 million).

4.3 Net financing (gains)/costs

Recognised in the income statement:	**2022 £m**	**2021 £m**
Interest income	**(0.2)**	**–**
Finance income	**(0.2)**	**–**
Gross interest expense on loans	**39.5**	43.7
Interest capitalized	**(4.3)**	(5.2)
Amortisation of fair value of debt recognised on acquisition	**(5.9)**	(4.3)
Loan interest and similar charges	**29.3**	34.2
Interest on lease liabilities	**8.1**	8.5
Mark to market changes on interest rate swaps	**(70.7)**	(10.9)
Swap cancellation fair value settlements and loan break costs	**–**	4.2
Finance (gains)/costs	**(33.3)**	36.0
Net financing (gains)/costs	**(33.5)**	36.0

The average cost of the Group's wholly owned investment debt for the year ended 31 December 2022 is 3.3% (2021: 3.0%). The overall average cost of investment debt on an EPRA basis is 3.4% (2021: 3.0%).

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	2022 £m	2021 £m
Cash and cash equivalents	5.1	**38.0**	109.4
Non-current borrowings	4.1	**(1,265.9)**	(1,162.0)
Lease liabilities		**(92.3)**	(96.8)
Interest rate swaps	4.2	**73.2**	2.5
Net debt per balance sheet		**(1,247.0)**	(1,146.9)
Lease liabilities		**92.3**	96.8
Unamortised fair value of debt recognised on acquisition	2.3c	**19.5**	23.8
Adjusted net debt		**(1,135.2)**	(1,026.3)
Reported net asset value	2.3c	**3,792.1**	3,527.8
EPRA NTA	2.3c	**3,715.2**	3,532.2
Gearing			
Basic (net debt/reported net asset value)		**33%**	33%
Adjusted gearing (adjusted net debt/EPRA NTA)		**31%**	29%
Loan to value	2.3a	**31%**	29%

4.5 Covenant compliance

The Group monitors its covenant position and the forecast headroom available on a monthly basis. At 31 December 2022, 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.

	2022		2021	
	Covenant	**Actual**	**Covenant**	**Actual**
Gearing	**<1.50**	**0.34**	<1.50	0.30
Unencumbered assets ratio	**>1.70**	**3.12**	>1.70	3.25
Secured gearing	**<0.25**	**0.0**	<0.25	0.0
Development assets ratio	**<30%**	**4%**	<30%	7%
Joint venture ratio	**<55%**	**24%**	<55%	23%
Interest cover	**>2.00**	**6.71**	>2.00	5.49

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

	2022		2021	
	Weighted covenant	**Weighted actual**	**Weighted covenant**	**Weighted actual**
Net gearing	**<60%**	**34%**	<60%	30%
Secured gearing	**<25%**	**0%**	<25%	0%
Unsecured gearing	**>1.67**	**2.89**	>1.67	2.79
Interest cover	**>1.75**	**3.50**	>1.75	3.31

4.6 Equity

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

	2022			2021		
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	**399,139,636**	**99.8**	**2,161.2**	398,170,432	99.5	2,160.3
Shares issued (placing)	**–**	**–**	**–**	–	–	–
Shares issued (scrip dividend)	**865,069**	**0.2**	**(0.2)**	789,927	0.2	(0.2)
Shares issued (options exercised)	**312,520**	**0.1**	**1.0**	179,277	0.1	1.1
At 31 December	**400,317,225**	**100.1**	**2,162.0**	399,139,636	99.8	2,161.2

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 2021 dividend of £62.3 million – 15.6p per share – and an interim 2022 dividend of £43.9 million – 11.0p per share (2021: final 2020 dividend 12.75p and an interim dividend 6.5p).

After the year-end, the Directors proposed a final dividend per share of 21.7p – totalling £86.8 million (2021: 15.6p), bringing the total dividend per share for the year to 32.7p (2021: 22.1p). No provision has been made in relation to this dividend.

The Group has modelled tax adjusted property business profits for 2022 and 2023 and the PID requirement in respect of the year ended 31 December 2022 is expected to be satisfied by the end of 2023.

Section 5: Working capital

5.1 Cash and cash equivalents

The Group's cash position at 31 December 2022 was £38.0 million (2021: £109.4 million).

The Group's cash balances include £1.1 million (2021: £2.0 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	2022 £m	2021 £m
Profit for the year		**356.4**	344.6
Adjustments for:			
Depreciation and amortization		**7.8**	7.8
Fair value of share-based payments		**1.6**	2.4
Change in value of investment property (owned and under development)	3.1	**(112.7)**	(116.8)
Change in value of investment property (leased)	3.1	**9.3**	11.1
Net finance costs excluding interest on lease liabilities	4.3	**29.1**	34.2
Interest payments for leased assets	4.3	**8.1**	8.5
Mark to market changes in interest rate swaps	4.3	**(70.7)**	(10.9)
Swap break fair value settlements and debt exit costs	4.3	**–**	4.2
Loss on disposal of investment property (owned)		**15.6**	12.0
Share of joint venture profit	3.3b	**(80.4)**	(122.2)
Trading with joint venture adjustment		**4.0**	19.1
Tax charge/(credit)	2.5a	**1.6**	(1.5)
Cash flows from operating activities before changes in working capital		**192.5**	132.7
Decrease/(increase) in trade and other receivables		**3.6**	(52.5)
(Increase) in inventories		**(1.0)**	(2.9)
(Decrease)/increase in trade and other payables		**(10.7)**	34.2
Cash flows from operating activities		**161.6**	171.3
Tax paid		**(1.4)**	–
Net cash flows from operating activities		**160.2**	171.3

Cash flows consist of the following segmental cash inflows/(outflows): operations £134.1 million (2021: £108.1 million), property £29.6 million (2021: (£324.8 million)) and unallocated (£235.1 million) (2021: £12.2 million).

The unallocated net cash outflow is comprised of dividends paid totalling £96.4 million (2021: £64.8 million), an outflow of £141.0 million due to the acquisition of units in USAF (2021: £nil) and £2.3 million of inflows from other items.

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	2022 £m	2021 £m
Cash	5.1	**38.0**	109.4
Trade receivables		**31.8**	27.9
Amounts due from joint ventures		**46.9**	56.8
		116.7	194.1

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.

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 the joint ventures have strong financial performance, retain net asset positions and are cash generative, and therefore the Group views this as a low credit risk balance. No impairment has therefore been recognised in 2022 or 2021.

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 27 properties with cladding that needs replacing across our estate, due to legal or contractual obligations. We are continuing to carry 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 the cladding is expected to be £113.3 million (Unite Share: £59.2 million), of which £29.5 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 12-24 months. The regulations continue to evolve in this area and we will ensure that our buildings are safe for occupation and compliant with laws and regulations.

The Government's Building Safety Bill, covering building standards, was passed in April and has introduced 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 3.0 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 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**
Additions	**1.9**	**40.1**	**29.8**	**71.8**	**1.9**	**11.4**	**14.9**	**28.2**
Utilisation	**(5.9)**	**(40.8)**	**(3.8)**	**(50.5)**	**(5.9)**	**(11.6)**	**(1.9)**	**(19.4)**
Change in ownership	**–**	**–**	**–**	**–**	**–**	**3.5**	**–**	**3.5**
At 31 December 2022	**29.5**	**55.6**	**28.2**	**113.3**	**29.5**	**15.6**	**14.1**	**59.2**

Section 6: Post balance sheet events

There were no post balance sheet events.

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 reflects a more meaningful measure of the underlying earnings of the Group, excluding the non-recurring impact of one-off transactions, 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	2022 £m	2021 £m
EBIT			
Net operating income (NOI)	2.2a	**241.0**	191.8
Management fees	2.2a	**17.4**	15.9
Overheads	2.2a	**(27.7)**	(31.5)
		230.7	176.2
EBIT margin %			
Rental income	2.2a	**339.7**	282.7
EBIT	7	**230.7**	176.2
		67.9%	62.3%

	Note	2022 £m	2021 £m
EBITDA			
Net operating income (NOI)	2.2a	**241.0**	191.8
Management fees	2.2a	**17.4**	15.9
Overheads	2.2a	**(27.7)**	(31.5)
Depreciation and amortisation		**7.8**	7.8
		238.5	184.0

	Note	2022 £m	2021 £m
Net debt			
Cash	2.3a	**139.2**	155.5
Debt on properties	2.3a	**(1,872.8)**	(1,677.3)
		(1,733.6)	(1,521.8)

	Note	2022 £m	2021 £m
EBITDA : Net debt			
EBITDA	7	**238.5**	184.0
Net debt	7	**(1,733.6)**	(1,521.8)
Ratio		**7.3**	8.3

	Note	2022 £m	2021 £m
Interest cover (Unite share)			
EBIT	7	**230.7**	176.2
Net financing costs	2.2a	**(54.9)**	(54.8)
Interest on lease liability/operating lease rentals	2.2a	**(8.1)**	(8.5)
Total interest		**(63.0)**	(63.3)
Ratio		**3.7**	2.8

Reconciliation: IFRS profit before tax to EPRA earnings and adjusted earnings

	Note	2022 £m	2021 £m
IFRS profit before tax		**358.0**	343.1
Net valuation (gains)/losses on investment property (owned)	2.2b	**(145.0)**	(205.6)
Property disposals (owned)	2.2b	**16.5**	12.3
Net valuation losses on investment property (leased)	2.2b	**9.3**	11.1
Amortisation of fair value of debt recognised on acquisition	2.2b	**(4.3)**	(4.3)
Changes in valuation of interest rate swaps	2.2b	**(70.7)**	(10.9)
Swap cancellation fair value settlements and loan break costs	2.2b	**–**	4.2
Non-controlling interest, tax and other items		**(1.9)**	2.1
EPRA earnings		**161.9**	152.0
Net LSAV performance fee		**–**	(41.9)
Abortive costs		**1.5**	–
Adjusted earnings		**163.4**	110.1

Adjusted EPS yield

	Note	2022	2021
Adjusted EPS (A)	2.2c	**40.9p**	27.6p
Opening EPRA NTA (B)	2.3d	**882p**	818p
Adjusted EPS yield (A/B)		**4.6%**	3.4%

Total accounting return

	Note	2022	2021
Opening EPRA NTA (A)	2.3d	**882.2p**	818.0p
Closing EPRA NTA	2.3d	**926.7p**	882.2p
Movement		**44.5p**	64.2p
H1 dividend paid	4.9	**15.6p**	12.8p
H2 dividend paid	4.9	**11.0p**	6.5p
Total movement in NTA (B)		**71.1p**	83.5p
Total accounting return (B/A)		**8.1%**	10.2%

EPRA Performance Measures

Summary of EPRA performance measures

	2022 £m	2021 £m	2022	2021
EPRA earnings	**161.9**	152.0	**40.5p**	38.1p
Adjusted earnings	**163.4**	110.1	**40.9p**	27.6p
EPRA NTA (diluted)	**3,718.3**	3,536.1	**927p**	882p
EPRA NRV (diluted)	**4,037.3**	3,829.7	**1,006p**	955p
EPRA NDV (diluted)	**3,658.5**	3,503.6	**912p**	874p
EPRA net initial yield			**4.6%**	4.0%
EPRA topped-up net initial yield			**4.6%**	4.0%
EPRA like-for-like gross rental income			**23.0%**	4.7%
EPRA vacancy rate			**0.8%**	5.6%
EPRA cost ratio (including vacancy costs)			**33.4%**	38.8%
EPRA cost ratio (excluding vacancy costs)			**32.3%**	36.8%

EPRA like-for-like rental income (calculated based on total portfolio value of £8.5 billion)

£m	Properties owned throughout the period	Development property	Acquisitions and disposals	Total EPRA
2022				
Rental income	**310.9**	**5.3**	**23.5**	**339.7**
Property operating expenses	**(90.6)**	**(1.1)**	**(7.0)**	**(98.7)**
Net rental income	**220.3**	**4.2**	**16.5**	**241.0**
2021				
Rental income	**252.8**	**-**	**29.9**	**282.7**
Property operating expenses	**(79.7)**	**-**	**(11.2)**	**(90.9)**
Net rental income	**173.1**	**-**	**18.7**	**191.8**
Like-for-like net rental income (£m)	**47.2**			
Like-for-like gross rental income (£m)	**58.1**			

EPRA vacancy rate

	2022 £m	2021 £m
Estimated rental value of vacant space	**2.0**	13.8
Estimated rental value of the whole portfolio	**262.9**	246.5
EPRA vacancy rate	**0.8%**	5.6%

EPRA net initial yield

	2022	2021
Annualised net operating income (£m)	**256.9**	205.1
Property market value (£m)	**5,325.6**	4,864.8
Notional acquisition costs (£m)	**285.7**	254.3
	5,611.3	5,119.1
Net initial yield (%) *	**4.6%**	4.0%
Difference in projected versus historical GOI	**0.1%**	
Unite net initial yield (%)	**4.7%**	4.9%

* No lease incentives are provided by the Group and accordingly EPRA topped up net initial yield is also 4.6% (2021: 4.0%).

EPRA cost ratio

	2022 £m	2021 £m
Property operating expenses	**72.0**	67.7
Overheads	**26.4**	30.7
Development/pre contract costs	**1.2**	2.2
Unallocated expenses*	**2.8**	0.5
	102.4	101.1
Share of JV property operating expenses	**26.7**	23.2
Share of JV overheads	**1.3**	0.8
Share of JV unallocated expenses*	**0.3**	0.4
	130.7	125.5
Less: Joint venture management fees	**(17.4)**	(15.9)
Total costs (A)	**113.3**	109.6
Group vacant property costs**	**(2.5)**	(4.1)
Share of JV vacant property costs**	**(0.9)**	(1.4)
Total costs excluding vacant property costs (B)	**109.9**	104.1
Rental income	**241.7**	209.0
Share of JV rental income	**98.0**	73.7
Total gross rental income (C)	**339.7**	282.7
Total EPRA cost ratio (including vacant property costs) (A)/(C)	**33.4%**	39%
Total EPRA cost ratio (excluding vacant property costs) (B)/(C)	**32.4%**	37%

* 2022 excludes amounts in respect of abortive costs and 2021 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	**3,186.5**	**105.9**	**3.4**
USAF	**636.3**	**28.0**	**4.6**
LSAV	**960.4**	**50.8**	**5.6**
Rental properties	**4,783.2**	**184.7**	**4.0**
Leased properties	**90.3**		
Build-to-rent properties	**71.1**		
Development completions for AY22/23	**365.9**		
Properties under development	**202.8**		
Properties held throughout the year	**5,513.3**		
Acquisitions	**176.5**		
Total property portfolio	**5,689.8**		

EPRA yield movement

	NOI yield	Yield movement (bps)		
	%	H1	H2	FY
Wholly owned	**4.8**	**(14)**	**12**	**(2)**
USAF	**5.0**	**(20)**	**13**	**(7)**
LSAV	**4.1**	**(19)**	**19**	**0**
Rental properties (Unite share)	**4.7**	**(16)**	**14**	**(2)**

Property related capital expenditure

	2022			2021		
	Wholly owned	Share of JVs	Group share	Wholly owned	Share of JVs	Group share
London	**3.3**	**10.5**	**13.8**	4.8	3.1	7.9
Prime regional	**31.6**	**7.3**	**38.9**	16.7	2.9	19.6
Major regional	**16.5**	**11.2**	**27.7**	8.1	10.8	18.9
Provincial	**8.1**	**1.0**	**9.1**	2.8	0.6	3.4
Total rental properties	**59.5**	**30.0**	**89.5**	32.4	17.4	49.8
Increase in beds	**2.1**	**2.0**	**4.1**	–	–	–
Acquisitions	**1.3**	**–**	**1.3**	–	–	–
Developments	**193.0**	**–**	**193.0**	81.4	–	81.4
Capitalised interest	**6.3**	**–**	**6.3**	5.2	–	5.2
Total property related capex	**262.2**	**32.0**	**294.2**	119.0	17.4	136.4

Glossary

Adjusted earnings
An alternative performance measure based on EPRA earnings, adjusted to remove the impact of abortive acquisition costs and the LSAV performance fee which was settled in 2021. The items have been excluded from adjusted earnings to improve the comparability of results year-on-year.

Adjusted earnings per share / EPS
The earnings per share based on adjusted earnings and weighted average number of shares in issue (basic).

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 / EPS
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 cost ratio
The ratio of property operating expenses, overheads and management fees, against rental income, calculated on an EPRA basis.

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, interest rate swaps and the related tax effects.

EPRA earnings per share / EPS
The earnings per share based on EPRA earnings and weighted average number of shares in issue (basic).

EPRA like-for-like rental growth
The growth in rental income measured by reference to the part of the portfolio of the Group that has been consistently in operation, and not under development nor subject to disposal, and which accordingly enables more meaningful comparison in underlying rental income levels.

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).

ESG
Environmental, Social and Governance.

Full occupancy
Fully occupancy is defined as occupancy in excess of 97%.

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 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 metrics
Like-for-like is the change in metric, on a gross basis, calculated using properties owned throughout the current and previous period.

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.

LTV (EPRA)
Net debt as a proportion of the value of the rental properties including balances in respect of leased properties and all other assets and liabilities.

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 (EPRA)
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.

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 Bournemouth, Coventry, Loughborough, Medway, Portsmouth 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.

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.

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