FINANCIAL STATEMENTS

CONTENTS

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of The Unite Group PLC (the "Parent Company") and its subsidiaries (the "Group") give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2022 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and Parent Company balance sheets;
- the consolidated and Parent Company statements of changes in equity;
- the consolidated statement of cash flows; and
- the related sections 1 to 9.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and United Kingdom adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the FRC's) Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the Group and Parent Company for the year are disclosed in section 2.6 to the financial statements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the Group or the Parent Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT continued
To the members of Unite Group PLC

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • *Investment property and development property valuation; and* • *Accounting for Joint Ventures.* Within this report, key audit matters are identified as follows: Newly identified · Increased level of risk · Similar level of risk Decreased level of risk
Materiality	The materiality that we used for the Group financial statements was £38.0m which was determined on the basis of net assets. However, we use a lower materiality threshold of £8.1m for balances which impact EPRA earnings.
Scoping	Our Group audit scope comprises the audit of Unite Group Plc as well as the Group's joint ventures: The Unite UK Student Accommodation Fund (USAF) and The London Student Accommodation Vehicle (LSAV). All audit work was completed by the Group audit team.
Significant changes in our approach	There were no significant changes to our approach from the prior year.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the Directors' assessment of the Group's and Parent Company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining an understanding of the relevant controls over the going concern process, including management's process to formulate the cashflow forecasts as well as the Board approval process;
- Understanding the financing facilities available to the Group and Parent Company, including the associated covenants;
- Assessing the outcome of the reverse stress testing performed by management;
- Challenging the revenue assumptions, for the outturn of the 2022/23 academic year and the assumptions for the 2023/24 academic year. For the 2023/24 academic year specifically, we assessed the Group's current forward sales bookings and UCAS application data to forecast occupancy assumptions for reasonableness;
- Challenging the cost assumptions within the forecasts, including consideration of previously incurred costs, the impact of cost inflation, and assumptions made relating to expected future costs associated with climate change legislation;
- Challenging the likelihood of downside scenarios arising relative to reverse stress tests with reference to the income and cost assumptions. This included reference to the occupancy rates achieved during the previous academic years which were negatively impacted by lockdown requirements and restrictions in university in-person teaching;
- Determining the sufficiency of the Group's liquidity and headroom positions with reference to borrowing facility agreements, including the consideration of the availability of undrawn down facilities as well as facilities due to expire within the going concern period of assessment;
- Testing the arithmetical accuracy of the models used to prepare the Group's forecast and related scenarios; and
- Assessing the appropriateness of the Group's disclosure concerning the going concern basis of preparation.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the reporting on how the Group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Investment property and investment property under development valuations

Key audit matter description	The Group's principal assets are investment properties (2022: £3,713.7m; 2021: £3,192.8m) and investment properties under development (2022: £202.7m; 2021: £324.1m). The Group also holds investments in its joint ventures, USAF and LSAV, with their principal assets also being investment properties. The investment properties are carried at fair value based on an appraisal by the Group's external valuers. Valuations are carried out at six-monthly intervals for the Group and quarterly for the joint ventures in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation – Professional Standards (the Red Book), taking into account transactional evidence during the year. The valuation is underpinned by a number of estimates and assumptions as it requires the estimation of property yields, occupancy and property management costs. A small change in these assumptions could have a significant impact on the valuation of the properties and there is an associated fraud risk due to the risk of management override of controls relating to the valuation process. With regards to the valuation of the USAF and LSAV properties, small changes could also have a significant impact on a key input to the calculation of a performance fee if the payout hurdle rate is achieved as this is based on the net asset values of the funds. Valuations are also impacted by cladding remediation requirements and expectations relating to climate change legislative requirements. With regards to the investment properties under development, additional estimation is required to forecast discounted cash flows with a deduction for construction costs to complete. Refer to page 119 (Audit & Risk Committee Statement), section 3.1: Wholly owned property assets and section 3.4: Investments in joint ventures. Critical accounting judgements and key sources of estimation uncertainty disclosures relating to investment property and development property valuation are set out in Sections 1 and 3.1.
How the scope of our audit responded to the key audit matter	We carried out the following audit procedures in response to the identified key audit matter: Understanding the properties and relevant controls: • Obtained an understanding of and tested the relevant controls over the investment property and development property valuation processes. • Met with key management to enhance our knowledge of the portfolio and to understand their internal valuation process, the development appraisal process and to identify any key properties of interest. Data provided to the valuer • Challenged the accuracy, completeness and consistency of the information provided to the external valuers; this work included testing a sample of income and tenancy data back to Group management information which we had tested for accuracy and completeness. • Tested on a sample basis the forecast cost to complete against budget and costs incurred to date. External valuation • Assessed the objectivity, competence and capability of the Group's valuers and read their terms of engagement with the Group to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations on their work. • We obtained the external valuation reports and, along with our valuation specialists within our Deloitte Real Assets Advisory team, met with the external valuer to discuss the results of their work on a sample of properties, as well as their views of the broader market. • Understood and challenged the assumptions used in relation to key drivers such as rental income and growth, occupancy, yields and property management costs including comparing them to the trends at the end of the year and the following year's budget. • With the assistance of our valuation specialists, benchmarked the assumptions used against market data, including relevant transactions. • Specifically challenged the valuers as to whether any special assumptions had been made and how they approach the impact of climate change in the valuations. • Assessed the valuation methodology used and considered compliance with the Red Book guidance. We also tested the integrity of the model used by the external valuer.

INDEPENDENT AUDITOR'S REPORT continued

To the members of Unite Group PLC

5.1. Investment property and investment property under development valuations continued

	• Reconciled the external valuation reports to underlying financial records to test for completeness and accuracy within the Group's financial statements. • Compared the property specific assumptions to assess whether there is consistency within the portfolio as well as consistency with related assumptions used in other estimates. **Disclosures** • Assessed the appropriateness of the Group's valuation disclosures, including the related sensitivities.
Key observations	We are satisfied with the approach and methodology adopted in valuing the property portfolio and consider the investment property and development property valuations to be suitable for inclusion in the financial statements at 31 December 2022.

5.2. Accounting for Joint ventures

Key audit matter description	A significant proportion of the Group's assets is held within USAF and LSAV, jointly owned entities that are accounted for under the equity method as joint ventures (2022: £1,226.6m; 2021: £1,044.1m), on the basis that Unite does not control the entities. At 31 December 2022 Unite had a 28% (2021: 22%) ownership of USAF and 50% (2021: 50%) ownership of LSAV, and acts as manager of both joint venture vehicles. Due to the complexity of the contractual arrangements, and the Group's role as manager of the joint venture vehicles, the assessment of control involves judgements around a number of significant factors, particularly with regard to USAF. USAF is a multi-investor fund with an Advisory Committee and the Group's ownership stake is subject to change. In accordance with the requirements of IFRS 10 Consolidated Financial Statements, there is a need to assess control with regards to the ability to direct relevant activities, to have exposure to variable returns and the ability to use power to affect returns at each reporting period. Management has assessed (in line with the prior year) that the Group does not have control over USAF and LSAV, but has joint control. Consequently management has accounted for the joint ventures under the equity method rather than consolidating them within the Group's financial statements. Refer to page 119 (Audit & Risk Committee Statement) and section 3.4: Investments in joint ventures. The critical accounting judgement disclosure relating to accounting for joint ventures is set out in Section 1.
How the scope of our audit responded to the key audit matter	Our audit procedures focused on assessing the activities of the businesses, understanding the contractual agreements in place and identifying the methodology applied by management in reaching their business decisions. This was done in order to consider the appropriateness of the classification of these arrangements as joint ventures in accordance with the requirements of IFRS. With regards to both USAF and LSAV (the funds), we have: • Obtained an understanding of the relevant controls over the accounting for joint ventures; • Assessed how the key activities of the fund impact returns to the Group and challenged management's own consideration of these vwfactors in their application of IFRS, including whether there was evidence of contradictory evidence; • Assessed the three key factors relating to control in accordance with the judgement required under IFRS 10. This included whether Unite had exercised control over the funds; and • Reviewed the fund agreements in the year to confirm that there have been no changes to the USAF fund agreement and to assess the changes to the LSAV fund agreement following the extension of the fund in the year. For the changes to the LSAV fund agreement we considered whether these changes impacted the key factors to assess control. Given the particular focus on USAF, we have: • Assessed the role of the USAF Advisory Committee including activities which it is responsible for as set out by the fund agreement; • Assessed whether the Group has the sole power to direct the activities that are likely to most significantly affect the returns of USAF in the future, and therefore whether Unite does have control of USAF; and • Evaluated the impact of changes to the percentage ownership of the fund and whether this impacts Unite's power and control.
Key observations	We are satisfied with management's conclusion that there have been no changes to the role played by the Group as investor and asset/development manager, or to the USAF fund agreement and that the increase in ownership does not impact control. We are satisfied with management's conclusion that the Group does not have control of the Joint Ventures. Therefore, treatment as joint ventures is considered to be appropriate.

6. Our application of materiality

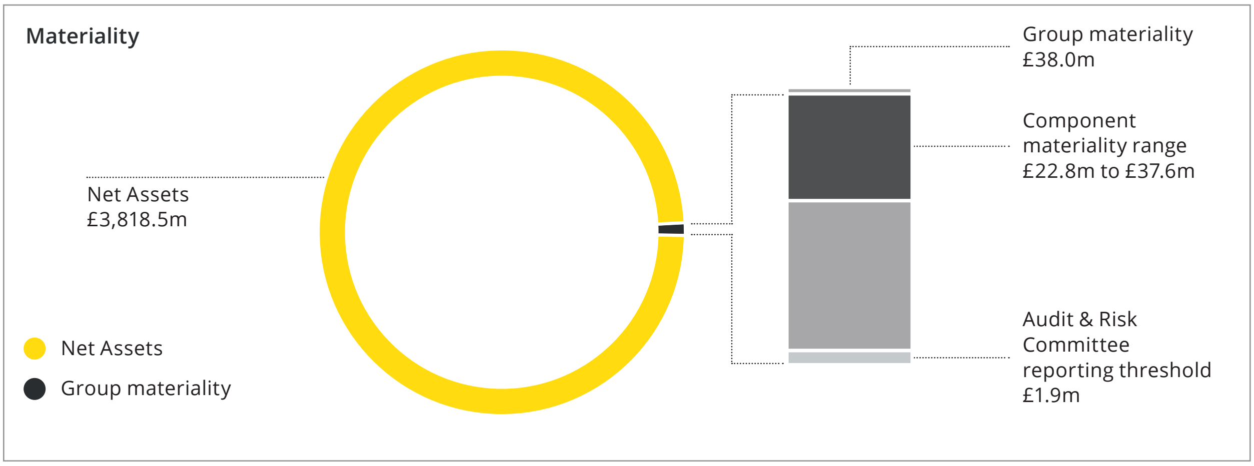
6.1. Materiality

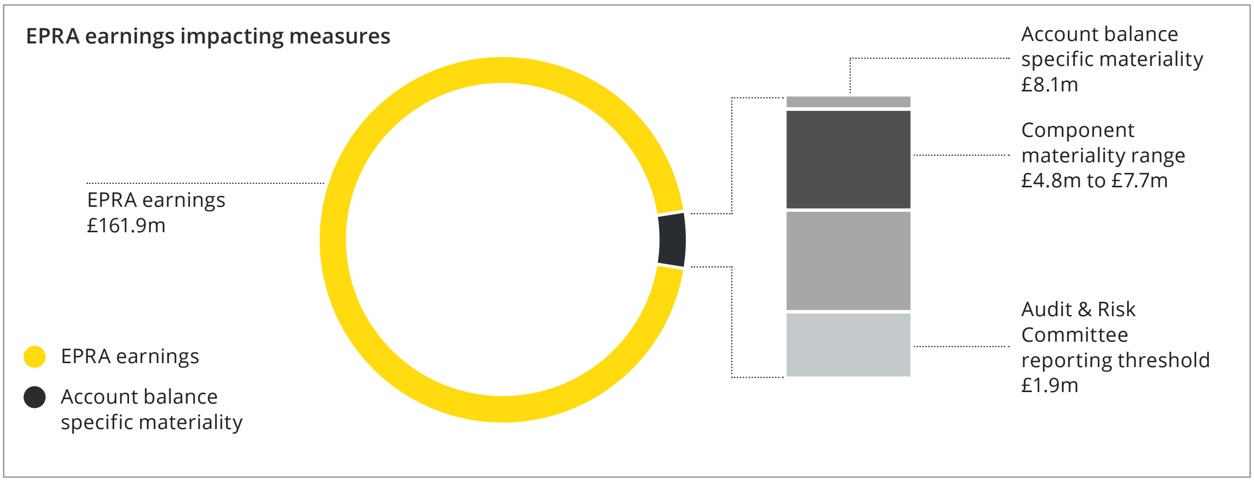
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent Company financial statements
Materiality	£38.0m (2021: £35.5m)	£37.6m (2021: £31.2m)
Basis for determining materiality	1% of net assets	1% of net assets
Rationale for the benchmark applied	We consider net assets to be a critical financial performance measure for the Group on the basis that it is a key metric used by management, investors, analysts and lenders.	As the parent holding company the principal activity is to hold the investments in subsidiaries. Therefore, the net assets balance is considered to be the key driver of the Company's performance and the most relevant benchmark for materiality.

In addition to net assets, we consider the European Public Real Estate (EPRA) earnings to be a critical financial performance measure for the Group and we applied a lower threshold of £8.1m (2021: £5.5m) based on 5% (2021: 5%) of that measure for testing of all balances impacting this financial performance measure.





INDEPENDENT AUDITOR'S REPORT continued

To the members of Unite Group PLC

6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent Company financial statements
Performance materiality	70% (2021: 70%) of Group materiality	70% (2021: 70%) of Parent Company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: a. our risk assessment, including our assessment of the Group's overall control environment, and that we consider it appropriate to rely on controls over a number of business processes; and b. our past experience of the audit, which has indicated a low number of corrected and uncorrected misstatements identified in prior periods.	

6.3. Error reporting threshold

We agreed with the Audit & Risk Committee that we would report to the Committee all audit differences in excess of £1.9m (2021: £1.8m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit & Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level.

The Group is audited by one audit team, led by the Senior Statutory Auditor. We engage with staff at the Group's Bristol head office, as the books and records for each entity within the Group are maintained at this location. The Group only operates within the United Kingdom – this includes Unite Group plc and its related subsidiaries, as well as the two joint ventures, USAF and LSAV.

We audit all of the results of the Group together with USAF and LSAV, for the purposes of our Group audit. We have also tested the consolidation process to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information.

7.2. Our consideration of the control environment

From our understanding of the Group and after assessing relevant controls, we tested and relied on controls in performing our audit of rental income recorded within the Group's room booking system.

We also tested relevant controls relating to the valuation of investment and development property, given the significance of this balance to the Group.

In addition, we have obtained an understanding of the relevant controls such as those relating to the financial reporting cycle, and those in relation to our other key audit matters.

The Group uses the following application systems for the recording and reporting of its financial statements:

- Oracle EBS – general ledger and room booking system;
- Portal Agent Desktop (PAD) – room booking portal used by students and implemented on top of Oracle EBS and therefore where revenue transactions are initiated; and
- HFM – used to prepare the Group consolidation at the Group's Head Office.

We involved IT specialists to assess the relevant controls over the three systems set out above. Working with IT specialists we identified and assessed relevant risks arising from each relevant IT system and the supporting infrastructure technologies based on the role of application in the Group's flow of transactions. We obtained an understanding of the IT environment as part of these risk assessment procedures. We further performed the following procedures:

- Determined whether each general IT control, individually or in combination with other controls, was appropriately designed to address the risk;
- Obtained sufficient evidence to assess the operating effectiveness of the controls across the full audit period; and
- Performed additional procedures where required if there were exceptions to the operation of those controls, including relevant mitigating controls.

7.3. Our consideration of climate-related risks

We have made enquiries of management to understand the processes in place to assess the potential impact of climate change on the business and the financial statements. Management consider climate change to be a principal risk which particularly impacts the cost of retrofitting rental accommodation to improve their sustainability credentials and comply with future regulations. These risks are consistent with those identified through our own risk assessment process.

As part of our identification of key audit matters, as detailed in section 5.1 above, we consider there to be a risk in relation to climate change as part of the valuation of investment properties and investment properties under development. There is a risk that the valuation does not include the relevant assumptions around climate change, principally, capital expenditure required to bring the properties up to a certain environmental standard, to the extent assumed by a third party when determining fair value.

We have reviewed the disclosures in the principal risk section of the Annual Report and consider that management has appropriately disclosed the current risk that has been identified.

8. Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the Annual Report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT continued

To the members of Unite Group PLC

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for Directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit, the Group's internal legal counsel, the Directors and the Audit & Risk Committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations; and
- the matters discussed among the audit engagement team and relevant internal specialists, including tax, valuations, pensions, IT, forensic and industry specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: investment property and development property valuation owing to the potential manipulation and override by management of the controls relating to the valuation process. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. These included the Group's compliance with health and safety matters, including fire safety and fire cladding.

11.2. Audit response to risks identified

As a result of performing the above, we identified the valuation of investment property and development property as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit and Risk Committee and in-house and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the Parent Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

13. Corporate Governance statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 94;
- the Directors' explanation as to its assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 81;
- the Directors' statement on fair, balanced and understandable set out on page 95;
- the Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 95;
- the section of the Annual Report that describes the review of effectiveness of risk management and internal control systems set out on page 77; and
- the section describing the work of the Audit & Risk Committee set out on pages 119–124.

INDEPENDENT AUDITOR'S REPORT continued

To the members of Unite Group PLC

14. Matters on which we are required to report by exception

14.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

15. Other matters which we are required to address

15.1. Auditor tenure

Following the recommendation of the Audit & Risk Committee, we were appointed by the Board on 10 June 2015 to audit the financial statements for the year ending 31 December 2015 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 8 years, covering the years ending 31 December 2015 to 31 December 2022.

15.2. Consistency of the audit report with the additional report to the Audit & Risk Committee

Our audit opinion is consistent with the additional report to the Audit & Risk Committee we are required to provide in accordance with ISAs (UK).

16. Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

As required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.14R, these financial statements form part of the European Single Electronic Format (ESEF) prepared Annual Financial Report filed on the National Storage Mechanism of the UK FCA in accordance with the ESEF Regulatory Technical Standard (ESEF RTS). This auditor's report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

Stephen Craig (Senior statutory auditor)
For and on behalf of Deloitte LLP

Statutory Auditor
London, United Kingdom

28 February 2023

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	3.4b	**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 hedging instruments	4.5a	**–**	16.2
Hedges reclassified to profit or loss		**–**	(0.9)
Share of joint venture mark to market movements on hedging instruments	3.4b	**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	3.4b	**1,226.6**	1,044.1
Other non-current assets	3.3b	**21.5**	18.9
Interest rate swaps	4.2	**73.2**	–
Right of use assets	3.3a	**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	5.2	**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	4.6a	**(4.8)**	(4.9)
Trade and other payables	5.4	**(191.5)**	(200.7)
Current tax liability		**(0.8)**	(0.1)
Provisions	5.5	**(29.5)**	(33.5)
Total current liabilities		**(226.6)**	**(242.8)**
Borrowings	4.1	**(1,265.9)**	(1,162.0)
Lease liabilities	4.6a	**(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	4.8	**100.1**	99.8
Share premium	4.8	**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**

The financial statements of The Unite Group PLC, registered number 03199160, were approved and authorised for issue by the Board of Directors on 28 February 2023 and were signed on its behalf by:

R S Smith
Director

J J Lister
Director

COMPANY BALANCE SHEET

At 31 December 2022

	Note	2022 £m	2021 £m
Assets			
Investments in subsidiaries	3.5	**2,397.0**	2,143.5
Loans to Group undertakings	5.2	**2,076.9**	1,928.3
Interest rate swaps	4.2	**73.2**	–
Total non-current assets		**4,547.1**	**4,071.8**
Interest rate swaps	4.2	**–**	6.0
Trade and other receivables	5.2	**0.1**	0.1
Cash and cash equivalents		**0.7**	0.2
Total current assets		**0.8**	**6.3**
Total assets		**4,547.9**	**4,078.1**
Current liabilities			
Interest rate swaps	4.2	**–**	(3.6)
Amounts due to Group undertakings	5.4	**(70.3)**	(38.0)
Other payables	5.4	**(9.5)**	(6.4)
Total current liabilities		**(79.8)**	**(48.0)**
Borrowings	4.1	**(649.6)**	(542.2)
Interest rate swaps	4.2	**–**	–
Total non-current liabilities		**(649.6)**	**(542.2)**
Total liabilities		**(729.4)**	**(590.2)**
Net assets		**3,818.5**	**3,487.9**
Equity			
Issued share capital	4.8	**100.1**	99.8
Share premium	4.8	**2,162.0**	2,161.2
Merger reserve		**40.2**	40.2
Hedging reserve		**1.3**	1.5
Retained earnings		**1,514.9**	1,185.2
Total equity		**3,818.5**	**3,487.9**

Total equity is wholly attributable to equity holders of Unite Group plc. The profit of Unite Group plc in 2022 was £426.1 million (2021: £419.5m).

The financial statements of The Unite Group PLC, registered number 03199160, were approved and authorised for issue by the Board of Directors on 28 February 2023 and were signed on its behalf by:

R S Smith
Director

J J Lister
Director

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 hedging instruments	3.4b	–	–	–	–	**4.7**	**4.7**	–	**4.7**
Total comprehensive income for the year		–	–	–	**355.1**	**4.7**	**359.8**	**1.3**	**361.1**
Shares issued	4.8	**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	4.9	–	–	–	**(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 hedging 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 hedging instruments	3.4b	–	–	–	–	0.6	0.6	–	0.6
Total comprehensive income for the year		–	–	–	342.4	15.9	358.3	2.1	360.4
Shares issued	4.8	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	4.9	–	–	–	(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**

The notes on pages 185–242 form part of the financial statements.

COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2022

	Note	Issued share capital £m	Share premium £m	Merger reserve £m	Hedging reserve £m	Retained earnings £m	Total £m
At 1 January 2022		**99.8**	**2,161.2**	**40.2**	**1.5**	**1,185.2**	**3,487.9**
Profit and total comprehensive income for the year		**–**	**–**	**–**	**–**	**426.1**	**426.1**
Shares issued	4.8	**0.3**	**0.8**	**–**	**–**	**–**	**1.1**
Unwind of realised swap gain		**–**	**–**	**–**	**(0.2)**	**–**	**(0.2)**
Dividends to shareholders	4.9	**–**	**–**	**–**	**–**	**(96.4)**	**(96.4)**
At 31 December 2022		**100.1**	**2,162.0**	**40.2**	**1.3**	**1,514.9**	**3,818.5**

	Note	Issued share capital £m	Share premium £m	Merger reserve £m	Hedging reserve £m	Retained earnings £m	Total £m
At 1 January 2021		99.5	2,160.3	40.2	(13.3)	833.5	3,120.2
Profit and total comprehensive income for the year		–	–	–	15.0	419.5	434.5
Shares issued	4.8	0.3	0.9	–	–	–	1.2
Unwind of realised swap gain		–	–	–	(0.2)	–	(0.2)
Dividends to shareholders	4.9	–	–	–	–	(67.8)	(67.8)
At 31 December 2021		**99.8**	**2,161.2**	**40.2**	**1.5**	**1,185.2**	**3,487.9**

The notes on pages 185–242 form part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Note	Group 2022 £m	Group 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 FV 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**

Section 1: Basis of preparation

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

Basis of consolidation

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

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

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

Non-controlling interests are shown as a line item within equity and comprise the non-controlling interests in subsidiaries which are not directly or indirectly attributable to the Group. Non-controlling interests are assigned to one subsidiary as at both 31 December 2022 and 2021 (see note 3.4).

The parent company financial statements have been prepared in accordance with Financial Reporting Standard 101 – Reduced disclosure framework (FRS 101), and the Group financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the United Kingdom (Adopted IFRS), in conformity with the Companies Act 2006, and approved by the Directors. On publishing the parent company financial statements here together with the Group financial statements, the Company is taking advantage of the exemption in s408 of the Companies Act 2006 not to present its individual income statement and related notes. The Company is also taking advantage of the FRS 101 disclosure exemptions from requirements of IFRS 7, IFRS 13 and IAS 1 including presenting a Company statement of cash flows.

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

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

Measurement convention

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

Going concern

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

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.

NOTES TO THE FINANCIAL STATEMENTS continued

Section 1: Basis of preparation continued

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.

Standards and interpretations effective in the current period

During the year the following new and revised standards and interpretations have been adopted and have not had a material impact on the amounts reported in these financial statements:

- IAS 16 Property, plant and equipment – proceeds before intended use
- IAS 37 (amendments) Onerous contracts – Cost of fulfilling a contract
- IFRS 3 (amendments) Business Combinations – Reference to the Conceptual Framework

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

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

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

- IFRS 16 (amendments) Covid-19 related rent concessions beyond 30 June 2021
- IFRS 16 (amendments) Lease liability in a sale and leaseback
- IFRS 17 Insurance contracts
- IAS 8 Definition of accounting estimates
- IAS 12 Deferred tax related to assets and liabilities arising from a single transaction
- IFRS 4 Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts – Extension of the temporary exemption from applying IFRS 9
- IAS 1 (amendments) Classification of liabilities as current or non-current
- IAS 1 (amendments) Non-current liabilities with Covenants
- IAS 1 (amendments) and IFRS Practice Statement 2 Disclosure of accounting policies
- IFRS Standards (annual improvements)

The impact of all other IFRS Standards not yet adopted is not expected to be material.

Critical accounting estimates and judgements

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

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

Critical accounting judgements

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

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

- classification of joint venture vehicles (note 3.4)

Key sources of estimation uncertainty

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

Estimates and assumptions are reviewed on an ongoing basis with revisions recognised in the period in which the estimates are revised and in any future periods affected.

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

- valuation of investment property and investment property under development (note 3.1)
- valuation of provisions for cladding remediation (note 5.5)

NOTES TO THE FINANCIAL STATEMENTS continued

Section 2: Results for the year

This section focuses on the results and performance of the Group and provides a reconciliation between the primary statements and EPRA performance measures. On the following pages you will find disclosures explaining the Group's results for the year, segmental information, taxation, earnings and net tangible asset value (NTA) per share.

The Group uses EPRA earnings, adjusted earnings and NTA movement as key comparable indicators across other real estate companies in Europe. EPRA earnings, adjusted earnings and NTA movement are Alternative Performance Measures (APMs), further details of which are set out in section 8.

IFRS performance measures

	Note	2022 £m	2021 £m	2022 pps	2021 pps
Profit*	2.2b	**355.1**	342.4	**88.9p**	85.9p
Net assets*	2.3d	**3,792.1**	3,527.8	**945p**	880p

* Profit after tax represents profit attributed to the owners of the parent company, and net assets represents equity attributable to the owners of the parent company.

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

** Adjusted earnings are calculated as EPRA earnings after adding back abortive costs (2021: less the LSAV performance fee), in order to reflect the comparable performance of the Group's underlying operating activities.

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 amends IFRS measures by removing principally the unrealised investment property valuation gains and losses such that users of the financials are able to see the extent to which dividend payments (dividend per share) are underpinned by earnings arising from purely operational activity. In 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, 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 is available in note 2.2b.

The Operations segment manages rental properties, owned directly by the Group or by joint ventures. Its revenues are derived from rental income and asset management fees earned from joint ventures. The way in which the Operations segment adds value to the business is set out in the Operations review on pages 32–34. 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

		Share of joint ventures		Group on EPRA basis
	Unite £m	USAF £m	LSAV £m	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 charge of (£0.2 million) and current tax charge of (£0.7 million). Depreciation and amortisation totalling (£7.8 million) is included within overheads.

2021

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

NOTES TO THE FINANCIAL STATEMENTS continued

Section 2: Results for the year continued

2.2 Earnings continued

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 and 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	3.4b	**(32.3)**	(88.7)
Share of joint venture property disposals	3.4b	**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	2.4	**–**	(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 3.4.

2.2c) Earnings per share

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

The calculations of basic and EPRA EPS 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
Diluted EPRA				**40.5p**	38.0p
Adjusted	2.2b	**163.4**	110.1	**40.9p**	27.6p
Diluted adjusted				**40.8p**	27.6p

	2022	2021
Weighted average number of shares (thousands)		
Basic	**399,581**	398,742
Dilutive potential ordinary shares (share options)	**584**	829
Diluted	**400,165**	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 and the scrip dividend.

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.

The Group's Property business undertakes the acquisition and development of properties. The way in which the Property segment adds value to the business is set out in the Property review on pages 35–39.

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. LTV is an APM – see section 8.

2021

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

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

** LTV calculated excluding investment properties (leased) and the corresponding lease liabilities. LTV is an APM – see section 8.

NOTES TO THE FINANCIAL STATEMENTS continued

Section 2: Results for the year continued

2.3 Net assets continued

2.3b) Movement in EPRA NTA during the year

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

2022

			Share of JVs		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	3.3b	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)	3.1	(9.3)	–	–	(9.3)
Investment property gains (under development)	3.1	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	3.3b	(8.0)	–	–	(8.0)
Other		(3.3)	(0.3)	(0.2)	(3.8)
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 charges of (£0.9 million).

2021

	Note	Unite £m	Share of JVs 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	3.3b	6.1	–	–	6.1
Total Operations		88.8	14.4	15.8	119.0
Property					
Rental growth		17.4	4.5	25.8	47.7
Yield movement		49.2	12.7	44.6	106.5
Disposal losses (owned)		(12.0)	(0.3)	–	(12.3)
Investment property gains (owned)*		54.6	16.9	70.4	141.9
Investment property losses (leased)	3.1	(11.1)	–	–	(11.1)
Investment property gains (under development)	3.1	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	3.3b	(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).

Section 2: Results for the year continued

2.3 Net assets continued

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**	**3,964.9**

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	–	–	(50.4)
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) NTA, NRV and NDV per share

Basic NAV is based on the net assets attributable to the equity shareholders of 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
Net assets					
Basic		**3,792.1**	3,527.8	**945p**	880p
EPRA NTA	2.3a	**3,715.2**	3,532.2	**928p**	885p
EPRA NTA (diluted)	2.3a	**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	2.3c	**3,964.9**	3,499.7	**991p**	877p
EPRA NDV (diluted)		**3,968.0**	3,503.6	**989p**	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

Accounting policies

The Group recognises revenue from the following major sources:

- Rental income
- Management and performance fees
- Acquisition fees

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

Rental income

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

Rental income is derived from contracts which are less than 12 months in length and the Group accordingly recognises this income in the Income Statement on a straight line basis in accordance with IFRS 16.

Management and performance fees

The Group acts as asset and property manager for USAF and LSAV and receives management fees in relation to these services. Revenue from these fees is recognised on a straight line basis over time as the joint ventures simultaneously receive and consume benefits as the Group performs its management obligations which are determined by the services provided over the course of each academic year, and this reflects the profile of activities being performed. Detailed calculations in order to determine the transaction prices for these revenue streams are held within the joint venture agreements.

Section 2: Results for the year continued

2.4 Revenue and costs continued

Management and performance fees continued

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

The Group is entitled to an LSAV performance fee if the joint venture outperforms certain benchmarks over its life ending in 2032. The Group recognises an LSAV performance fee at an amount which is considered "highly probable" to become due based upon estimates of the future performance of the joint venture; such estimates include future rental income and the discount rate (yield). Prior to the maturity of the joint venture, the Group pro-rates the total LSAV performance fee over the life of the joint venture and recognises a cumulative catch-up to the currently completed term where sufficient certainty over outperformance of the benchmark is determined to exist.

As per IFRS 15, the estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of revenue recognised will not occur when the uncertainty associated with the variable consideration is resolved. The performance fee is variable and dependent on meeting specific performance targets. Accordingly where there is too much uncertainty over the cumulative outperformance of the benchmarks, particularly in earlier periods of the performance fee period, which cover each 10 year term of the venture, then no amounts of performance fee can be recognised as it is not highly probable that the performance fee will be earned.

Management and performance fees are presented in revenue net of the Group's share of the corresponding expense within the relevant fund.

At 31 December 2022, no amounts are deemed to meet the highly probable criteria and therefore we have not disclosed any future fees receivable from these ongoing contracts.

Acquisition fees

The Group receives acquisition fees from its joint venture partners. This revenue is linked to the acquisition of land or property and is therefore recognised at the point in time that control of the asset is transferred to the joint venture. The transaction price for this revenue stream is stipulated in the joint venture agreement as a percentage of the value of the acquisition. No such land or property acquisitions have occurred in 2022 or 2021.

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/(loss) in the consolidated income statement.

The LSAV and USAF performance fees 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 crystallised 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.

Accounting policies

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

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

Deferred tax arises due to certain temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and those for taxation purposes. Temporary differences relating to investments in subsidiaries and joint ventures are not provided for to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities.

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

NOTES TO THE FINANCIAL STATEMENTS continued

Section 2: Results for the year continued

2.5 Tax continued

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 provided 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 charge 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	**(3.0)**	**0.9***	**–**	**(2.1)**

* The £0.9 million balance above includes tax movements totalling £0.2 million in respect of property, plant and machinery, share schemes and losses which are included in EPRA earnings and therefore not shown as a reconciling item in the IFRS reconciliation in note 2.2b. Removing them results in the £0.7 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 totalling £0.2 million in respect of property, plant and machinery, share schemes and losses which are included in EPRA earnings and therefore not shown as a reconciling item in the IFRS reconciliation in note 2.2b. Removing them results in the £0.3 million movement shown in note 2.2b.

The deferred tax asset at 31 December 2022 has been calculated based on the rate at which it is expected to reverse. On 24 May 2021, Finance Act 2021 was substantively enacted which contains provisions to increase the corporation tax rate to 25% from 1 April 2023. This rate change increases the deferred tax assets recognised at the year-end by £0.2 million.

As a REIT, disposals of investment property and property rich investments are exempt from tax and as a result no deferred tax liability has been recognised in relation to these assets.

Company

Deferred tax has not been recognised on temporary differences of £1.7 million (2021: £3.1 million) in respect of revaluation of subsidiaries and investment in joint ventures as it is considered unlikely that these investments will be divested.

NOTES TO THE FINANCIAL STATEMENTS continued

Section 2: Results for the year continued

2.6 Audit fees

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

	2022 £m	2021 £m
Fees payable to the Group's auditors for the audit of the parent company and consolidated financial statements	**0.5**	0.4
Fees payable to the Group's auditors for other services to the Group:		
– Audit of the financial statements of subsidiaries	**0.1**	0.1
Total audit fees payable to the Group's auditors	**0.6**	**0.5**
Audit-related assurance services	**0.1**	0.1
Other services	**–**	–
Total non-audit fees	**0.1**	**0.1**

Non-audit fees in both 2022 and 2021 relate entirely to services provided in respect of the half year review.

Details on the Company's policy on the use of the auditor for non-audit services is also set out in the Audit & Risk Committee Statement on pages 119–124.

No services were provided pursuant to contingent fee arrangements.

Section 3: Asset management

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

3.1 Wholly owned property assets

The Group's wholly owned property portfolio is held in four 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, except where otherwise stated.

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 measured 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.

Accounting policies

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

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

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

Construction and borrowing costs are capitalised if they are directly attributable to the acquisition and construction of a property asset. Capitalisation of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalisation of borrowing costs continues until the assets are substantially ready for their intended use but stops if development activities are suspended. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognised. The capitalisation rate is arrived at by reference to the actual rate payable on borrowings for development purposes or, with regard to that part of the development cost financed out of general borrowings, to the average rate. During the year the average capitalisation rate used was 3.1% (2021: 3.1%).

The recognition of acquisitions of investment property and land occurs at the date when control passes to Unite. The recognition of disposals of investment property occurs on legal completion when control passes from Unite. In accordance with IFRS 15, gains/(losses) from the disposal of investment property are recognised at a point in time.

Contingent consideration receivables are recognised on disposals where the amount of additional consideration is readily identifiable. It is recognised at the constrained value determined by the amount that is highly probable to be receivable at the time of the disposal, and any subsequent change in value is recognised in profit or loss in the later period.

Investment property (leased)

The Group holds certain investment property under historic sale and leaseback arrangements, acting as an intermediate lessor and subleasing its right-of-use assets. For each leased property, the Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability (see note 4.6a) with respect to all lease arrangements in which it is the lessee. The right-of-use assets are initially measured at cost in accordance with IFRS 16 and subsequently at fair value in the balance sheet with changes in fair value taken to the income statement in accordance with IAS 40.

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.

NOTES TO THE FINANCIAL STATEMENTS continued

Section 3: Asset management continued

3.1 Wholly owned property assets continued

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 work in progress	–	–	2.1	2.1
Transfer to assets classified as held for sale	(228.2)	–	–	(228.2)
Disposals	(401.1)	–	–	(401.1)
Valuation gains	125.6	–	52.3	177.9
Valuation losses	(59.0)	(11.1)	(2.0)	(72.1)
Net valuation 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.

Investment property (under development) includes interests in land not currently under construction totalling £136.3 million (2021: £18.0 million).

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**

NOTES TO THE FINANCIAL STATEMENTS continued

Section 3: Asset management continued

3.1 Wholly owned property assets continued

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

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)	£208–£392	£308
			Estimated future rent increase (% p.a.)	2.0%–4.0%	3.0%
			Net initial yield/Discount rate (%)	3.7%–4.5%	3.9%
Prime regional – rental properties	**1,105.6**	RICS Red Book	Net rental income (£ per week)	£148–£243	£163
			Estimated future rent increase (% p.a.)	2.0%–5.0%	3.0%
			Net initial yield/Discount rate (%)	4.1%–6.2%	4.7%
Major regional – rental properties	**1,130.0**	RICS Red Book	Net rental income (£ per week)	£99–£178	£128
			Estimated future rent increase (% p.a.)	2.0%–3.0%	3.0%
			Net initial yield/Discount rate (%)	4.5%–7%	5.7%
Provincial – rental properties	**103.9**	RICS Red Book	Net rental income (£ per week)	£107–£156	£123
			Estimated future rent increase (% p.a.)	2.0%–3.0%	3.0%
			Net initial yield/Discount rate (%)	6.8%–21.5%	8.6%
London – development properties	**91.9**	RICS Red Book	Estimated cost to complete (£m)	£111.4m–£177.1m	£150.2m
			Net rental income (£ per week)	£183–£366	£248
			Estimated future rent increase (% p.a.)	3.0%	3.0%
			Net initial yield/Discount rate (%)	3.7%	3.7%
Prime regional – development properties	**32.4**	RICS Red Book	Estimated cost to complete (£m)	£17.5m–£58.3m	£44.7m
			Net rental income (£ per week)	£171–£235	£184
			Estimated future rent increase (% p.a.)	2.5%–3.0%	3.0%
			Net initial yield/Discount rate (%)	4.3%–5.0%	4.5%
Major regional – development properties	**64.1**	RICS Red Book	Estimated cost to complete (£m)	£18.2m–£28.4m	£21.1m
			Net rental income (£ per week)	£185–£287	£198
			Estimated future rent increase (% p.a.)	3.0%	3.0%
			Net initial yield/Discount rate (%)	4.9%–5.0%	4.9%
	3,740.7				
Investment property – build-to-rent	**71.1**	RICS Red Book	Net rental income (£ per week)	£359	£359
			Estimated future rent increase (% p.a.)	3.0%	3.0%
			Net initial yield/Discount rate (%)	3.9%	3.9%
Development property – build-to-rent	**14.3**	RICS Red Book	Estimated cost to complete (£m)	£12.8m–£20.4m	£15.6m
			Net rental income (£ per week)	£170–£614	£312
			Estimated future rent increase (% p.a.)	3.0%	3.0%
			Net initial yield/Discount rate (%)	3.9%–4.3%	4.03%
	3,826.1				
Investment property – leased	**90.3**	Discounted cash flows	Net rental income (£ per week)	£99–£191	£154
			Estimated future rent increase (% p.a.)	1%–3%	2%
			Discount rate (%)	6.3%	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 (% p.a.) 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 (% p.a.) 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 (% p.a.) 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 (% p.a.) Net initial yield/Discount rate (%)	£109–£188 1%–4% 5.1%–14.2%	£135 3% 7%
London – development properties	249.9	RICS Red Book	Estimated cost to complete (£m) Net rental income (£ per week) Estimated future rent increase (% p.a.) 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 (% p.a.) Net initial yield/Discount rate (%)	£7.1m–£64.3m £176–£258 3% 4.0%	£35.9m £181 3% 4%
Major regional – development properties	25.8	RICS Red Book	Estimated cost to complete (£m) Net rental income (£ per week) Estimated future rent increase (% p.a.) Net initial yield/Discount rate (%)	£33.9m–£45.2m £171–£213 3% 5.0%	£42.1m £172 3% 5%
Fair value at 31 December 2021	**3,647.4**				
Investment property (leased)	97.7	Discounted cash flows	Net rental income (£ per week) Estimated future rent increase (% p.a.) Discount rate (%)	£95–£185 3% 6.8%	£144 3% 6.8%
Fair value at 31 December 2021	**3,745.1**				

NOTES TO THE FINANCIAL STATEMENTS continued

Section 3: Asset management continued

3.1 Wholly owned property assets continued

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. These two key sources of estimation uncertainty are considered to represent those most likely to have a material impact on the valuation of the Group's investment property within the next 12 months as a result of reasonably possible changes in assumptions used. The potential effect of such reasonably possible changes has been assessed by the Group and is set out below:

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					
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

Accounting policies

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

	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 Right of use assets and other non-current assets

Accounting policies

Leased assets

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

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Property, plant and equipment mainly comprise leasehold improvements at the Group's head office and London office as well as computer hardware at these sites.

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

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

Intangible assets

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

3.3a) Right of use assets

	2022			2021		
	Buildings £m	Other £m	Total £m	Buildings £m	Other £m	Total £m
Cost						
At 1 January	**5.8**	**1.3**	**7.1**	5.8	1.4	7.2
Additions	**–**	**0.4**	**0.4**	–	0.4	0.4
Disposals	**(0.8)**	**(0.4)**	**(1.2)**	–	(0.5)	(0.5)
At 31 December	**5.0**	**1.3**	**6.3**	5.8	1.3	7.1
Amortisation						
At 1 January	**(2.9)**	**(0.6)**	**(3.5)**	(2.2)	(0.7)	(2.9)
Amortisation charge for the year	**(0.8)**	**(0.5)**	**(1.3)**	(0.7)	(0.4)	(1.1)
Disposal	**0.8**	**0.4**	**1.2**	–	0.5	0.5
At 31 December	**(2.9)**	**(0.7)**	**(3.6)**	(2.9)	(0.6)	(3.5)
Carrying value at 1 January	**2.9**	**0.7**	**3.6**	3.6	0.7	4.3
Carrying value at 31 December	**2.1**	**0.6**	**2.7**	**2.9**	**0.7**	**3.6**

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

Section 3: Asset management continued

3.3 Right of use assets and other non-current assets continued

Approximately 44% of the leases expired in the current financial year (2021: 11%). The expired contracts were replaced by new leases for identical underlying assets. This resulted in additions to right of use assets of £0.4 million in 2022 (2021: £0.4 million).

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

Details of interest on lease liabilities and total cash outflows for leases are presented in notes 4.3 and 5.1.

3.3b) Other non-current assets

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

	2022			2021		
	Property, plant and equipment £m	Intangible assets £m	Total £m	Property, plant and equipment £m	Intangible assets £m	Total £m
Cost						
At 1 January	**12.6**	**65.1**	**77.7**	12.1	61.8	73.9
Additions	**1.0**	**8.0**	**9.0**	0.5	3.3	3.8
At 31 December	**13.6**	**73.1**	**86.7**	12.6	65.1	77.7
Depreciation and amortisation						
At 1 January	**(9.8)**	**(48.9)**	**(58.7)**	(9.2)	(42.8)	(52.0)
Depreciation/amortisation charge for the year	**(0.6)**	**(5.9)**	**(6.5)**	(0.6)	(6.1)	(6.7)
At 31 December	**(10.4)**	**(54.8)**	**(65.2)**	(9.8)	(48.9)	(58.7)
Carrying value at 1 January	**2.8**	**16.2**	**19.0**	2.9	19.0	21.9
Carrying amount at 31 December	**3.2**	**18.3**	**21.5**	**2.8**	**16.2**	**18.9**

Intangible assets include £7.0 million (2021: £0.8 million) of assets not being amortised as they are not yet ready for use. Property, plant and equipment assets include £nil (2021: £nil) of assets not being depreciated as they are not ready for use. At 31 December 2022 the Group had capital commitments of £nil (2021: £nil) relating to intangible assets and £nil (2021: £nil million) relating to property, plant and equipment.

3.4 Investments in joint ventures (Group)

Accounting policies

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

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

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

The Group has two joint ventures:

Joint venture	Group's share of assets/results 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 Unite Group PLC are beneficially interested in 28.15% (2021: 22.0%) of USAF.

NOTES TO THE FINANCIAL STATEMENTS continued

Section 3: Asset management continued

3.4 Investments in joint ventures (Group) continued

3.4a) Net assets and results of the joint ventures

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

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 (liabilities)/assets	**(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 (liabilities)/assets	(0.5)	–	(0.1)	0.2	0.1	(0.3)	–
EPRA NTA	**1,956.6**	**–**	**431.2**	**1,173.2**	**586.6**	**3,129.8**	**1,017.8**
Profit for the year	**146.9**	**2.1**	**34.2**	**172.2**	**86.1**	**319.1**	**122.4**

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

USAF and LSAV use derivatives to hedge their borrowings. These derivatives are designated in cash flow hedge relationships which are considered to be fully effective. The share of joint venture mark to market movements on hedging instruments is recognised in the Group's Other Comprehensive Income within the share of joint venture mark to market movements on hedging instruments. The total notional value of borrowings in hedge relationships at 31 December 2022 is £415.0 million (2021: £225.0 million). See note 4.5 for further details.

3.4b) Movement in carrying value of the Group's investments in joint ventures

The carrying value of the Group's investment in joint ventures increased by £182.5 million during the year ended 31 December 2022 (2021: £195.1 million increase), 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 sale of property to 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**

3.4c) Transactions with joint ventures

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

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

	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.

NOTES TO THE FINANCIAL STATEMENTS continued

Section 3: Asset management continued

3.4 Investments in joint ventures (Group) continued

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**

As part of the disposal of properties to LSAV in 2021, the Group received an additional investment in the joint venture as non-cash consideration totalling £104.0 million (before costs of £4.6 million), and the settlement of the LSAV performance fee also resulted in a non-cash increase in its investment value of £53.6 million. The Group's relative interest in the joint venture remained unchanged.

3.5 Investments in subsidiaries (Company)

Accounting policies

In the financial statements of the Company, investments in subsidiaries are held at fair value. Changes in fair value are recognised in profit or loss and presented in retained earnings in equity.

Carrying value of investment in subsidiaries

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

	Investment in subsidiaries	
	2022 £m	**2021 £m**
At 1 January	**2,143.5**	1,826.7
Additions	–	–
Revaluation	**253.5**	316.8
At 31 December	**2,397.0**	**2,143.5**

The carrying value of investment in subsidiaries has been calculated using the equity attributable to the owners of the parent company from the consolidated balance sheet adjusted for the fair value of fixed rate loans. This includes investment property, investment property under development and swaps at a fair value calculated by a third party expert. All investment properties and investment properties under development are classified as Level 3 in the IFRS 13 fair value hierarchy and have been discussed on page 214. The fixed rate loans range between Level 1 and Level 2 in the IFRS 13 fair value hierarchy and have been discussed further on page 214.

Significant assumptions underlying the valuation of investment in subsidiaries are valuation of investment property and investment property under development, together with the value of borrowings and inter-company debt. A full list of the Company's subsidiaries and joint ventures can be found in note 9.

Section 4: Funding

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

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

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

Accounting policies

Financial instruments

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

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

With the exception of investments in subsidiaries and derivative financial instruments, no other financial assets or liabilities have been classified as either fair value through profit or loss or fair value through other comprehensive income.

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

Impairment of financial assets

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

The Accounting Policy is set out in full in note 5.2.

Derivative financial instruments

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

4.1 Borrowings

Accounting policies

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

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

	Group – Carrying value		Company – Carrying value	
	2022 £m	**2021 £m**	**2022 £m**	**2021 £m**
Current				
In one year or less	**–**	–	**–**	–
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	**228.0**	121.3
In more than five years	**721.1**	719.0	**421.6**	420.9
	1,247.8	1,138.2	**649.6**	542.2
Unamortised fair value of debt recognised on acquisition	**18.1**	23.8	**–**	–
Total borrowings	**1,265.9**	**1,162.0**	**649.6**	**542.2**

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 Group repaid only unsecured borrowing at 31 December 2022 and 31 December 2021.

NOTES TO THE FINANCIAL STATEMENTS continued

Section 4: Funding continued

4.1 Borrowings continued

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

Group	2022 Carrying value £m	2022 Fair value £m	2021 Carrying value £m	2021 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**

Company	2022 Carrying value £m	2022 Fair value £m	2021 Carrying value £m	2021 Fair value £m
Level 1 IFRS fair value hierarchy	**275.0**	**344.5**	425.0	439.0
Other loans and unamortised arrangement fees	**374.6**	**333.8**	117.2	117.2
Total borrowings	**649.6**	**678.3**	**542.2**	**556.2**

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

Group	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**
Company					
Borrowings	**542.2**	**107.0**	**0.4**	**–**	**649.6**
Interest rate swaps	**(2.5)**	**–**	**(70.7)**	**–**	**(73.2)**
Total liabilities from financing activities	**539.7**	**107.0**	**(70.3)**	**–**	**576.4**

2021

Group	At 1 January 2021	Financing cash flows	Fair value adjustments	Other changes	At 31 December 2021
Borrowings	1,689.9	(563.8)	(4.3)	40.2	1,162.0
Lease liabilities	101.1	(13.2)	–	8.9	96.8
Interest rate swaps	23.6	(3.1)	(23.9)	0.9	(2.5)
Total liabilities from financing activities	**1,814.6**	**(580.1)**	**(28.2)**	**50.0**	**1,256.3**
Company					
Borrowings	1,066.6	(550.8)	(0.8)	27.2	542.2
Interest rate swaps	23.6	(3.1)	(23.9)	0.9	(2.5)
Total liabilities from financing activities	**1,090.2**	**(553.9)**	**(24.7)**	**28.1**	**539.7**

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 derivatives of the Company are the same as those of the Group, and the hedge accounting disclosures in note 4.5a are also relevant for the Company.

Accounting policies

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

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

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

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

The effective portion of changes in fair value of the interest rate swap is recognised in Other Comprehensive Income and presented under the heading of Hedging reserve in equity, limited to the cumulative change in fair value of the hedged item from inception of the hedge. Any ineffective portion of changes in the fair value of the interest rate swap is recognised immediately in profit or loss. Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. If the Group expects that some or all of the loss accumulated in the hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

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

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

The following table shows the fair value of interest rate swaps which at 31 December 2022 are not designated in accounting hedge relationships:

	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 asset fair value above comprises non-current assets of £73.2 million (2021: assets of £6.1 million and liabilities of £3.6 million).

NOTES TO THE FINANCIAL STATEMENTS continued

Section 4: Funding continued

4.3 Net financing (gains)/costs

Accounting policies

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

Recognised in the income statement:	2022 £m	2021 £m
Interest income	**(0.2)**	–
Finance income	**(0.2)**	**–**
Gross interest expense on loans	**39.5**	43.7
Interest capitalised	**(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 gains 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 at 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	4.6a	**(92.3)**	(96.8)
Interest rate swaps	4.3	**73.2**	2.5
Net debt per balance sheet		**(1,247.0)**	**(1,146.9)**
Lease liabilities	4.6a	**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 Financial risk factors

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

4.5a) Interest rate risk

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

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

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

At 31 December 2022, after taking account of interest rate swaps, 97% (2021: 89%) of the Group's borrowing was held at fixed rates. Excluding the £200 million (2021: £nil million) of swaps the fixed investment borrowing is at an average rate of 3.1% (2021: 3.1%) for an average period of 5.3 years (2021: 6.4 years), including all debt with current swaps the average rate is 3.3% (2021: 3.0%). In addition, Unite Group Plc has £300m forward starting interest rate swaps at rates meaningfully below prevailing market levels with weighted average maturity of 10.8 years.

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

As the critical terms of the hedge contracts and their corresponding hedged items are the same, the Group performs a qualitative assessment of effectiveness and it is expected that the value of the interest rate swap contracts and the value of the corresponding hedged items will systematically change in opposite direction in response to movements in the underlying interest rates. The main source of hedge ineffectiveness in these hedge relationships has historically been the effect of the counterparty and the Group's own credit risk on the fair value of the hedge contracts, which is not reflected in the fair value of the hedged item attributable to the change in interest rates. No other sources of ineffectiveness emerged from these hedging relationships. However, changes in anticipated draw down of debt in 2022 as a result of planned property disposals have meant that the hedged items were no longer expected to occur. As a result the hedge relationships were discontinued from 1 July 2021. Subsequent changes in fair value of the derivatives of £10.0 million were recognised directly in profit and loss. The amount accumulated in cash flow hedge reserve was reclassified to profit and loss.

The Group holds interest rate swaps and caps at 31 December 2022 against £nil (2021: £nil) of the Group's borrowings, designated in effective hedge relationships. The fair value of these instruments is net assets of £73.2 million (2021: £2.5 million) with £nil million maturing in 12 months.

Hedging instruments

	Applicable interest rates		Nominal amount		Carrying amount		Change in fair value	
	2022 %	2021 %	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m
Within one year	–	–	–	–	–	–	–	5.0
Between one and two years	–	–	–	–	–	–	–	2.5
Between two and five years	–	–	–	–	–	–	–	–
More than five years	–	–	–	–	–	–	–	8.6

NOTES TO THE FINANCIAL STATEMENTS continued

Section 4: Funding continued

4.5 Financial risk factors continued

Hedged items

	Nominal amount		Change in value		Hedging reserve – continuing		Hedging reserve – discontinued*	
	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m
Variable rate borrowings	–	–	–	(16.2)	–	–	–	1.6

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

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

	Changes in OCI		Hedge ineffectiveness			Reclassified to P&L – discontinued		Reclassified to P&L – continuing		
	2022 £m	2021 £m	2022 £m	2021 £m	Line item in P&L	2022 £m	2021 £m	2022 £m	2021 £m	Line item in P&L
Variable rate borrowings	–	16.2	–	–	Mark to market movements on interest rate swaps	–	(1.1)	–	–	Mark to market movements on interest rate swaps

The interest rate swaps settle on a monthly basis. The floating rate on the interest rate swaps is one-month SONIA (2021: SONIA). The Group will settle the difference between the fixed and floating interest rate on a net basis.

At the end of the current year and the previous year, the Group had no cash flow hedges in hedge relationships.

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivative and non-derivative instruments as at 31 December 2022. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year. A 1% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1% higher and all other variables were held constant the Group's loss for the year ended 31 December 2022 would increase by £1.4 million (2021: £4.0 million). The Group's sensitivity to interest rates has decreased mainly due to the lower amount of unhedged floating rate debt in place during the year.

4.5b) Credit risk on financial instruments

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

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

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

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

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

4.5c) Liquidity risk

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

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

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

The Group has the following financial instruments which impact the liquidity risk of the Group either now or in the future:

- Financial assets including interest rate swaps, trade receivables, amounts due from joint ventures, other receivables and cash.
- Financial liabilities including borrowings, lease liabilities, interest rates swaps, trade payables, retentions on construction contracts for properties, other payables and accrued expenses.

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

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

NOTES TO THE FINANCIAL STATEMENTS continued

Section 4: Funding continued

4.5 Financial risk factors continued

2022

	Weighted average effective interest rate %	Less than 1 month £m	1–3 months £m	3 months – 1 year £m	1–5 years £m	5+ years £m	Total £m	Carrying amount £m
Variable interest rate instruments	**5.0**	**1.0**	**1.9**	**8.7**	**258.2**	**–**	**269.9**	**228.0**
Fixed interest rate instruments	**3.1**	**1.1**	**2.2**	**28.8**	**399.4**	**766.2**	**1,197.7**	**1,037.9**
Lease liabilities	**4.2**	**0.5**	**0.9**	**4.2**	**28.3**	**58.8**	**92.7**	**92.3**
Trade and other payables	**N/a**	**–**	**118.2**	**–**	**–**	**–**	**118.2**	**118.2**
Total		**2.6**	**123.2**	**41.7**	**685.9**	**825.0**	**1,678.5**	**1,476.4**

2021

	Weighted average effective interest rate %	Less than 1 month £m	1–3 months £m	3 months – 1 year £m	1–5 years £m	5+ years £m	Total £m	Carrying amount £m
Variable interest rate instruments	2.0%	0.2	0.4	1.9	130.6	–	133.1	121.3
Fixed interest rate instruments	3.1%	1.1	2.2	28.5	415.5	786.4	1,233.7	1,040.7
Lease liabilities	4.2%	–	3.2	9.8	53.9	94.2	161.1	96.8
Trade and other payables	n/a	–	130.6	–	–	–	130.6	130.6
Total		**1.3**	**136.4**	**40.2**	**600.0**	**880.6**	**1,658.5**	**1,389.4**

The Company has £269.9 million of variable rate borrowings with a weighted average rate of 5.0% and £1,197.7 million of fixed rate borrowings with a weighted average rate of 3.1%. The maturity of the Company's borrowings is disclosed in note 4.1.

The Group has access to financing facilities as described below, of which £378.0 million were unused at the reporting date (2021: £335.0 million). The Group expects to meet its other obligations from operating cash flows.

	2022 £m	2021 £m
Unsecured bank overdraft facility, reviewed annually and payable at call:		
– amount used	**–**	–
– amount unused	**10.0**	10.0
	10.0	10.0
Unsecured committed bank loan facilities which may be extended by mutual agreement:		
– amount used	**232.0**	125.0
– amount unused	**368.0**	325.0
	600.0	450.0

4.5d) 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

Section 4: Funding continued

4.6 Leases

4.6a) Lease liabilities

Accounting policies

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

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the Group's incremental borrowing rate (since the rate implicit in the leases cannot be readily determined) of 4.17%.

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

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

The Group remeasures the lease liability whenever:

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

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

	Undiscounted cash flows		Carrying value	
Lease liabilities	**2022 £m**	**2021 £m**	**2022 £m**	**2021 £m**
Analysed as:				
Non-current			**87.5**	91.9
Current			**4.8**	4.9
Total lease liability			**92.3**	**96.8**
Lease liability maturity analysis				
Year 1	**10.5**	13.0	**4.8**	4.9
Year 2	**10.9**	13.3	**6.7**	5.4
Year 3	**11.8**	13.5	**6.7**	6.2
Year 4	**12.4**	13.4	**7.4**	6.7
Year 5	**13.3**	13.7	**7.9**	7.4
Onwards	**80.6**	94.2	**58.8**	66.2
Total	**139.5**	**161.1**	**92.3**	**96.8**

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

4.6b) Lease receivables

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

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

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

Maturity analysis of operating lease receivables

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

	2022 £m	2021 £m
Year 1	**218.7**	194.1
Year 2	**112.8**	78.8
Year 3	**73.8**	57.9
Year 4	**66.8**	52.0
Year 5	**58.5**	46.2
Onwards	**311.0**	239.0
Total	**841.6**	**668.0**

4.7 Capital management

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

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

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

In order to manage levels of adjusted gearing over the medium term, the Group seeks to deliver NAV growth and to recycle capital invested in lower performing assets into new assets and property developments. £339.0 million of property assets were sold in 2022 and we plan to sell £100-£150 million of property during 2023. The Group only commits to schemes where there is a meaningful spread between development yields and funding costs, on investments in its development and university partnerships pipeline. The Group does not commit to developing new sites until sufficient equity and funding to fulfil the full cost of the development is secure.

The Board monitors the ability of the Group to pay dividends out of available cash and distributable profits. Based on the assumption that no shareholders take up the scrip dividend, the full year dividend will be covered by operating cash flows. The full year dividend is expected to be £130.7 million compared to operating cash flow of £160.2 million.

NOTES TO THE FINANCIAL STATEMENTS continued

Section 4: Funding continued

4.8 Equity

Accounting policies

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

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

	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.

The Company's reserves are as follows:

- Called up share capital reserves contain the nominal value of the shares issued;
- Share premium reserves contain the excess consideration received above the nominal value of the shares issued;
- Merger reserves contain the excess in the value of shares issued by the Company in exchange for the value of shares acquired in respect of subsidiaries acquired (specifically on the acquisition of the Unilodge portfolio in June 2001);
- Hedging reserves contain the cumulative gains and losses on hedging instruments deemed effective; and
- Retained earnings contain the cumulative profits and losses of the Company net of dividends paid and other adjustments.

4.9 Dividends

Accounting policies

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

During the year, the Company 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

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

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

Accounting policies

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

5.1 Cash and cash equivalents

The Group's cash position at 31 December 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:

		Group	
	Note	2022 £m	2021 £m
Profit for the year		**356.4**	344.6
Adjustments for:			
Depreciation and amortisation		**7.8**	7.8
Fair value of share-based payments	6.1	**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	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 and debt exit costs	4.3	**–**	4.2
Loss on disposal of investment property (owned)		**15.6**	12.0
Share of joint venture profit	3.4b	**(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		**169.7**	**192.5**
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**

Section 5: Working capital continued

5.1 Cash and cash equivalents continued

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 amount includes a net cash outflow of dividends paid of £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.

Dividends received by the Company from its subsidiary undertakings totalling £130.0 million (2021: £125.0 million) are non-cash distributions of reserves.

5.2 Trade and other receivables

Accounting policies

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

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

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

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

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

Other financial asset balances are assessed for expected credit losses based on the underlying nature of the asset, including maturity and age of the asset such as whether a longer term asset or a short term working capital balance is subject to regular settlement arrangements, using the 12 month ECL model. No credit losses have been recognised in respect of these balances.

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

The Company's impairment policies in relation to financial assets are consistent with those of the Group, with additional consideration given to loans to Group undertakings. In this respect, the Company recognises lifetime ECL when there has been a significant increase in credit risk (such as changes to credit ratings) since initial recognition. However, if the credit risk on the loans have not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

The Company expects that the loans to Group undertakings will be repaid in full at maturity or when called. If the Group undertakings were unable to repay loan balances, the Company expects that in such circumstances the counterparty would negotiate extended credit terms with the Company. As such, the expected credit loss is considered immaterial. No change in credit risk is deemed to have occurred since initial recognition and therefore a 12-month expected credit loss has been calculated based on the assessed probability of default.

Trade and other receivables can be analysed as follows:

	Note	Group 2022 £m	Group 2021 £m	Company 2022 £m	Company 2021 £m
Trade receivables		**31.8**	27.9	**–**	–
Amounts due from joint ventures		**46.9**	56.8	**–**	–
Prepayments and accrued income		**20.6**	15.3	**–**	–
Other receivables		**5.9**	8.8	**0.1**	0.1
Trade and other receivables (current)		**105.2**	**108.8**	**0.1**	**0.1**
Loans to Group undertakings (non-current)	5.6	**–**	–	**2,076.9**	1,928.3
Trade and other receivables (non-current)		**–**	**–**	**2,076.9**	**1,928.3**

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

We do not anticipate there to be any expected credit loss on amounts receivable from joint ventures as these remain highly profitable. Details of amounts due from Group undertakings to the Company are disclosed in note 5.6.

2022

	Total £m	Ageing by academic year 2022/23 £m	2021/22 £m	Prior years £m
Rental debtors				
Commercial tenants (past due)	**1.5**	**0.8**	**0.4**	**0.3**
Individual tenants (past due)	**45.9**	**33.9**	**2.8**	**9.2**
Expected credit loss carried	**(15.6)**	**(2.9)**	**(3.2)**	**(9.5)**
Trade receivables	**31.8**	**31.8**	**–**	**–**

2021

	Total £m	Ageing by academic year 2021/22 £m	2020/21 £m	Prior years £m
Rental debtors				
Commercial tenants (past due)	0.9	0.5	0.3	0.1
Individual tenants (past due)	41.9	31.3	3.7	6.9
Expected credit loss carried	(14.9)	(4.3)	(3.6)	(7.0)
Trade receivables	**27.9**	**27.5**	**0.4**	**–**

Section 5: Working capital continued

5.2 Trade and other receivables continued

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

	2022 £m	2021 £m
At 1 January	**14.9**	12.2
Expected credit loss charged to the income statement in the year	**1.7**	3.3
Receivables written off during the year (utilisation of expected credit loss)	**(1.0)**	(0.6)
At 31 December	**15.6**	**14.9**

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

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

5.3 Credit risk

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

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

	Note	2022 £m	2021 £m
Cash	5.1	**38.0**	109.4
Trade receivables	5.2	**31.8**	27.9
Amounts due from joint ventures	5.2	**46.9**	56.8
		116.7	**194.1**

5.3a) Cash

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

5.3b) Trade receivables

The Group's customers can be split into two groups – (i) students (individuals) and (ii) commercial organisations including universities. The Group's exposure to credit risk is influenced by the characteristics of each customer.

5.3c) Joint ventures

Amounts receivable from joint ventures fall into two categories – working capital balances and investment loans. The Group has strong working relationships with its joint venture partners, and the joint ventures themselves 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.

5.4 Trade and other payables

Accounting policies

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

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

	Group		Company	
	2022 £m	2021 £m	2022 £m	2021 £m
Trade payables	**33.2**	35.3	**–**	–
Retentions on construction contracts for properties	**5.4**	4.2	**–**	–
Amounts due to Group undertakings	**–**	–	**70.3**	38.0
Other payables and accrued expenses	**84.9**	96.6	**9.5**	6.4
Deferred income	**68.0**	64.6	**–**	–
Trade and other payables	**191.5**	**200.7**	**79.8**	**44.4**

Deferred income relates to rental income that has been collected in advance of it being recognised as income.

Included within accrued expenses is £nil of capital commitments, relating to investment properties under development (2021: £nil million).

5.5 Provisions

Accounting policies

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

During 2020, and in accordance with the Government's Building Safety Advice of 20 January 2020, we undertook a thorough review of the use of High-Pressure Laminate (HPL) cladding on our properties. We have identified 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 £29.4 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.

Section 5: Working capital continued

5.5 Provisions continued

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 owned	USAF	LSAV	Total	Wholly owned	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)**	**(65.9)**	**(11.5)**	**(1.9)**	**(19.4)**
Changes 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**

5.6 Transactions with other Group companies

During the year, the Company entered into various interest-free, repayable on demand loans with its subsidiaries, the aggregate of which are disclosed in the cash flow statement. In addition, the Company was charged by Unite Integrated Solutions plc for corporate costs of £4.5 million (2021: £4.1 million). As a result of these intercompany transactions, the following amounts were due from/to the Company's subsidiaries at the year-end.

	2022 £m	2021 £m
Unite Holdings Limited	**131.1**	135.1
LDC (Holdings) Limited	**1,072.3**	937.7
Liberty Living Group plc	**873.5**	855.5
Amounts due from Group undertakings	**2,076.9**	**1,928.3**
Unite Integrated Solutions plc	**70.3**	38.0
Amounts due to Group undertakings	**70.3**	**38.0**

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

Section 6: Key management and employee benefits

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

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

Accounting policies

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

6.1 Staff numbers and costs

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

	Number of employees	
	2022	**2021**
Managerial and administrative	**569**	509
Site operatives	**1,206**	1,288
	1,775	**1,797**

The aggregate payroll costs of these persons were as follows:

	2022 £m	**2021 £m**
Wages and salaries	**64.2**	62.6
Social security costs	**6.5**	6.1
Pension costs	**2.7**	2.4
Fair value of share-based payments	**1.6**	2.4
	75.0	**73.5**

The wages and salaries costs include redundancy costs of £0.8 million (2021: £0.5 million).

The total number of persons employed by the Group (including Directors) as at 31 December 2022 was 589 managerial and administrative and 1,175 site operatives.

6.2 Key management personnel

The remuneration of the Directors, including Non-Executive Directors, who are the key management personnel of the Group and Company, is set out below in aggregate for each of the applicable categories specified in IAS 24 Related Party Disclosures. Further information about the remuneration of individual Directors is provided in the audited part of the Directors' Remuneration Report on pages 145–163 which covers the requirements of schedule 5 of the relevant legislation.

	2022 £m	**2021 £m**
Short-term employee benefits	**2.0**	2.3
Post employment benefits	**0.1**	0.1
Share-based payment benefits	**–**	0.6
	2.1	**3.0**

Section 6: Key management and employee benefits continued

6.3 Share-based compensation

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

6.3a) Share schemes

The Group operates the following schemes: **Long-Term Incentive Plan (LTIP), comprising the:**	
– Performance Share Plan (PSP); and – HMRC Approved Employee Share Option Scheme (ESOS)	Details can be found in the Directors' Remuneration Report
Save As You Earn Scheme (SAYE)	Open to employees, vesting periods of three years, service condition

6.3b) Outstanding share options

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

	Weighted average exercise price 2022	Number of options (thousands) 2022	Weighted average exercise price 2021	Number of options (thousands) 2021
Outstanding at 1 January	**£0.57**	**2,372**	£0.83	2,672
Forfeited during the year	**£3.09**	**(538)**	£1.77	(604)
Exercised during the year	**£2.52**	**(428)**	£2.37	(354)
Granted during the year	**£2.65**	**677**	£0.69	657
Outstanding at 31 December	**£0.19**	**2,083**	£0.57	2,371
Exercisable at 31 December	**£8.42**	**63**	£5.45	99

For those options exercised in the year, the average share price during 2022 was £10.34 (2021: £10.94).

For those options still outstanding, the range of exercise prices at the year-end was 0p to 1,121p (2021: 0p to 1,084p) and the weighted average remaining contractual life of these options was 3.8 years (2021: 2.2 years).

The Group funds the purchase of its own shares by the Employee Share Ownership Trust to meet the obligations of the LTIP and executive bonus scheme. The purchases are shown as "Own shares acquired" in retained earnings. As at 31 December 2022 the number of shares held by the ESOT was 205,084 (2021: 209,954).

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

Section 7: Post balance sheet events

There were no post balance sheet events.

Section 8: Alternative performance measures

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

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 improve 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	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	8	**230.7**	176.2
		67.9%	**62.3%**
EBITDA			
Net operating income	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**
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	8	**238.5**	184.0
Net debt	8	**(1,733.6)**	(1,521.8)
Ratio		**7.3**	**8.3**
Interest cover (Unite share)			
EBIT	8	**230.7**	176.2
Net financing costs	2.2a	**(54.9)**	(54.8)
Interest on lease liabilities	2.2a	**(8.1)**	(8.5)
Total interest		**(63.0)**	(63.3)
Ratio		**3.7**	**2.8**

Section 8: Alternative performance measures continued

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

	2022	2021
Adjusted earnings (A)	**40.9p**	27.6p
EPRA NTA at 1 January (B)	**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	**926.8p**	882.2p
Movement		**44.6p**	**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)		**71.2p**	**83.5p**
Total accounting return (B/A)		**8.1%**	**10.2%**

EPRA Performance Measures

Summary of EPRA performance measures

	Note	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)		**3,968.0**	3,503.6	**989p**	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%

* Adjusted earnings calculated as EPRA earnings less LSAV performance fee income recognised and abortive costs.

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 Earnings
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 net rental income (%)	**27.3%**			
Like-for-like gross rental income (£m)	**58.1**			
Like-for-like gross rental income (%)	**23.0%**			

NOTES TO THE FINANCIAL STATEMENTS continued

Section 8: Alternative performance measures continued

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
EPRA net initial yield (%)*	**4.6%**	**4.0%**
Difference in projected versus historical GOI	**0.1%**	
Unite net initial yield (%)	**4.7%**	

* No lease incentives are provided by the Group and accordingly the Topped Up Net Initial Yield measure 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**

NOTES TO THE FINANCIAL STATEMENTS continued

Section 8: Alternative performance measures continued

EPRA loan to value

	2022 £m	31 Dec 2021 £m
Investment property (owned)	**5,396.8**	4,864.8
Investment property (under development)	**202.7**	324.1
Intangibles	**18.3**	16.1
Total property value and other eligible assets	**5,617.8**	**5,205.0**
Cash at bank and in hand	**139.2**	155.5
Borrowings	**(1,872.8)**	(1,677.3)
Net other payables	**(150.6)**	(138.9)
EPRA net debt	**(1,884.2)**	**(1,660.7)**
EPRA loan to value	**33.5%**	**31.9%**

Section 9: Company subsidiaries and joint ventures

In accordance with Section 409 of the Companies Act 2006, a full list of subsidiaries and equity accounted investments as at 31 December 2022 is disclosed below. Unless otherwise stated, the Group's ownership interest represents 100% of the ordinary shares, units or partnership capital held indirectly by Unite Group PLC. No subsidiary undertakings have been excluded from the consolidation. The Unite Foundation has a year-end of 30 September to facilitate academic year reporting. All other subsidiaries have a year-end of 31 December.

Registered office and principal place of business: South Quay House, Temple Back, Bristol, United Kingdom, BS1 6FL	
LDC (AIB Warehouse) Limited (04872419)**	LDC (Portfolio Five) Limited (06079581)
LDC (Alscot Road) Limited (06176428)**	LDC (Portfolio Four) Limited (04985603)**
LDC (Brunel House) Limited (09760628)**	LDC (Portfolio One) Limited (03005262)**
LDC (Camden Court Leasehold) Limited (05140620)	LDC (Portfolio) Limited (08419375)**
LDC (Camden Court) Limited (05082671)	LDC (Project 110) Limited (05083580)**
LDC (Causewayend) Limited (08895966)	LDC (Project 111) Limited (05791650)**
LDC (Chantry Court Leasehold) Limited (05140258)**	LDC (Radmarsh Road) Limited (05435290)**
LDC (Chaucer House) Limited (09898020)**	LDC (Skelhorne) Limited (09898132)**
LDC (Constitution Street) Limited (09210998)**	LDC (Smithfield) Limited (03373096)
LDC (Construction Two) Limited (04847268)	LDC (St Leonards) Limited (08895830)**
LDC (Euro Loan) Limited (06623603)**	LDC (St Pancras Way) GP1 Limited (07359501)
LDC (Ferry Lane 2) GP3 Limited (07503842)**	LDC (St Pancras Way) GP2 Limited (07359428)
LDC (Ferry Lane 2) GP4 Limited (07503913)**	LDC (St Pancras Way) GP3 Limited (07503268)
LDC (Ferry Lane 2) Holdings Limited (07504099) (50.0%)	LDC (St Pancras Way) GP4 Limited (07503251)
LDC (Finance) Limited (09760806)**	LDC (St Pancras Way) Holdings Limited (07360734)
LDC (Greetham Street) Limited (08895825)	LDC (St Pancras Way) Limited Partnership**
LDC (Gt Suffolk St) GP1 Limited (07274156)	LDC (St Pancras Way) Management Limited Partnership**
LDC (Gt Suffolk St) GP2 Limited (07274000)	LDC (St Vincent's) Limited (10218310)**
LDC (Gt Suffolk St) Holdings Limited (07353946)	LDC (Swindon NHS) Limited (04207502)**
LDC (Gt Suffolk St) Limited Partnership**	LDC (Tara House) Limited (09214177)
LDC (Gt Suffolk St) Management GP1 Limited (07354719)	LDC (Thurso Street) GP1 Limited (07199022)
LDC (Gt Suffolk St) Management GP2 Limited (07354728)	LDC (Thurso Street) GP2 Limited (07198979)
LDC (Gt Suffolk St) Management Limited Partnership**	LDC (Thurso Street) GP3 Limited (07434001)
LDC (Hampton Street) Limited (06415998)	LDC (Thurso Street) GP4 Limited (07434133)
LDC (Hillhead) Limited (06176554)	LDC (Thurso Street) Limited Partnership**
LDC (Holdings) Limited (02625007)*	LDC (Thurso Street) Management Limited Partnership**
LDC (Imperial Wharf) Limited (04541678)**	LDC (Ventura) Limited (04444628)
LDC (International House) Limited (10131352)**	LDC (Vernon Square) Limited (06444132)

* Held directly by the Company.

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Registered office and principal place of business: South Quay House, Temple Back, Bristol, United Kingdom, BS1 6FL	
LDC (Kelham Island) Limited (05152229)	LDC (William Morris II) Limited (05999281)**
LDC (Leasehold A) Limited (04066933)**	Liberty Atlantic Point (Liverpool) Limited (03885187)**
LDC (Leasehold B) Limited (05978242)**	Liberty Heights (Manchester) Limited (07399622)**
LDC (Loughborough) Limited (04207522)**	Liberty Living (HE) Holdings Limited (10977869)**
LDC (Magnet Court Leasehold) Limited (05140255)	Liberty Living (LH Manchester) Limited (07120141)**
LDC (Millennium View) Limited (09890375)	Liberty Living (Liberty AP) Limited (03633307)**
LDC (MTF Portfolio) Limited (05530557)**	Liberty Living (Liberty PP) Limited (03991475)**
LDC (Nairn Street) GP3 Limited (07808933)	Liberty Living (LP Bristol) Limited (07242607)**
LDC (Nairn Street) GP4 Limited (07808919)	Liberty Living (LP Coventry) Limited (04330729)**
LDC (Nairn Street) Holdings Limited (07579402)**	Liberty Living (LP Manchester) Limited (04314013)**
LDC (New Wakefield Street) Limited (10436455)	Liberty Living (LQ Newcastle) Limited (04302869)**
LDC (Newgate) Limited (08895869)**	Liberty Living (LQ2 Newcastle) Limited (07298853)**
LDC (Old Hospital) Limited (09702143)**	Liberty Living Finance PLC (10979349)**
LDC (Oxford Road Bournemouth) Limited (04407309)**	Liberty Living Group Limited (BR020813)*/**
LDC (Portfolio 100) Limited (07989369)**	Liberty Living Investments 1 Limited Partnership**
LDC (Portfolio 20) Limited (08803996)**	Liberty Living Investments 2 Limited Partnership**
Liberty Living Investments 3 Limited Partnership**	Unite Finance One (Accommodation Services) Limited (04332937)
Liberty Living Investments GP1 Limited (09375866)**	Unite Finance One (Holdings) Limited (04316207)**
Liberty Living Investments GP2 Limited (09375868)**	Unite Finance One (Property) Limited (04303331)**
Liberty Living Investments GP3 Limited (10518849)**	Unite FM Limited (06807562)
Liberty Living Investments II Holdco 2 Limited (09574059)**	Unite For Success Limited (05157263)
Liberty Living Investments II Holdco Limited (08929431)**	Unite Holdings Limited (03148468)*/**
Liberty Living Investments II Limited (09680931)**	Unite Homes Limited (05140262)
Liberty Living Investments Limited (09375870)**	Unite Integrated Solutions PLC (02402714)
Liberty Living Investments Nominee 1 Limited (09375846)**	Unite Modular Solutions Limited (05140259)
Liberty Living Investments Nominee 2 Limited (09375849)**	Unite Rent Collection Limited (05982935)**
Liberty Living Investments Nominee 3 Limited (10519085)**	Unite Student Living Limited (06204135)
Liberty Living Limited (04055891)**	USAF GP No 11 Management Limited (07351883)
Liberty Living SpareCo Limited (04616115)**	USAF LP Limited (05860874)**
Liberty Living UK Limited (06064187)**	USAF Management Limited (05862721)
Liberty Park (Bristol) Limited (07615601)**	USAF Management 6 Limited (06225945)
Liberty Park (US Bristol) Limited (07615619)**	USAF Management 8 Limited (06387597)
Liberty Plaza (London) Limited (07745097)**	USAF Management 10 Limited (06714695)
Liberty Point (Coventry) Limited (04992358)**	USAF Management 11 Limited (07082782)
Liberty Point (Manchester) Limited (04828083)**	USAF Management 12 Limited (07365681)
Liberty Point Southampton (Block A) Limited (10314954)**	USAF Management 14 Limited (09232206)
Liberty Prospect Point (Liverpool) Limited (04637570)**	USAF Management 18 Limited (10219775)
Liberty Quay (Newcastle) Limited (05234174)**	USAF Management GP No.14 Limited (09130985)**
Liberty Quay 2 (Newcastle) Limited (07376627)**	USAF Management GP No.15 Limited (09749946)**
Liberty Severn Point (Cardiff) Limited (04313995)**	USAF Management GP No.16 Limited (09750068)**
Liberty Village (Edinburgh) Limited (10323566)**	USAF Management GP No.17 Limited (09750061)**
LL Midco 2 Limited (08998308)**	USAF Management No.18 Limited Partnership (28.1%)
LSAV (Angel Lane) GP3 Limited (08646359)**	LDC (Capital Cities Nominee No.1) Limited (05347228) (50.0%)
LSAV (Angel Lane) GP4 Limited (08646929)**	LDC (Capital Cities Nominee No.2) Limited (05359457) (50.0%)
LSAV (Aston Student Village) GP3 Limited (10498217)**	LDC (Capital Cities Nominee No.3) Limited (08792780) (50.0%)
LSAV (Aston Student Village) GP4 Limited (10498484)**	LDC (Capital Cities Nominee No.4) Limited (08792688) (50.0%)

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NOTES TO THE FINANCIAL STATEMENTS continued

Section 9: Company subsidiaries and joint ventures continued

Registered office and principal place of business: South Quay House, Temple Back, Bristol, United Kingdom, BS1 6FL	
LSAV (Stapleton) GP3 Limited (08646819)**	LDC (Capital Cities) Limited (05347220) (50.0%)
LSAV (Stapleton) GP4 Limited (08647019)**	LDC (Ferry Lane 2) GP1 Limited (07359448) (50.0%)**
LSAV (Stratford) GP3 Limited (08751654)**	LDC (Ferry Lane 2) GP2 Limited (07359481) (50.0%)**
LSAV (Stratford) GP4 Limited (08751629)**	LDC (Ferry Lane 2) Limited Partnership (50.0%)**
LSAV (Wembley) GP3 Limited (08725127)**	LDC (Ferry Lane 2) Management Limited Partnership (50.0%)**
LSAV (Wembley) GP4 Limited (08725235)**	LDC (Stratford) GP1 Limited (07547911) (50.0%)**
LSAV Rent Collection Limited (08496230)**	LDC (Stratford) GP2 Limited (07547994) (50.0%)**
Stardesert Limited (04437102)	LDC (Stratford) Limited Partnership (50.0%)**
The Unite Foundation	LDC Capital Cities Two (GP) Limited (08790742) (50.0%)
Unite Accommodation Management Limited (06190905)**	LSAV (Angel Lane) GP1 Limited (08593689) (50.0%)**
Unite Accommodation Management 2 Limited (05193166)	LSAV (Angel Lane) GP2 Limited (08593692) (50.0%)**
Unite Accommodation Management 6 Limited (05077346)**	LSAV (Angel Lane) Limited Partnership (50.0%)**
Unite Accommodation Management 9 Limited (06190863)**	LSAV (Angel Lane) Management Limited Partnership (50.0%)**
Unite Accommodation Management 16 Limited (07061314)**	LSAV (Aston Student Village) GP1 Limited (10498478) (50.0%)
Unite Accommodation Management 18 Limited (08328484)	LSAV (Aston Student Village) GP2 Limited (10498481) (50.0%)
Unite Accommodation Management 19 Limited (08790504) (50.0%)	LSAV (Aston Student Village) Limited Partnership (50.0%)
Unite Accommodation Management 20 Limited (08790642)	LSAV (Aston Student Village) Management Limited Partnership (50.0%)
Unite Accommodation Management One Hundred Limited (07989080)**	LSAV (Stapleton) GP1 Limited (08593695) (50.0%)**
Unite Construction (Angel Lane) Limited (08792704)	LSAV (Stapleton) GP2 Limited (08593699) (50.0%)**
Unite Construction (Stapleton) Limited (09023406)	LSAV (Stapleton) Limited Partnership (50.0%)**
Unite Construction (Wembley) Limited (09023474)	LSAV (Stapleton) Management Limited Partnership (50.0%)**
Unite Finance Limited (04353305)*/**	LSAV (Stratford) Management Limited Partnership (50.0%)**
LSAV (Wembley) GP1 Limited (08635735) (50.0%)**	USAF GP No 6 Limited (05897755) (20.2%)
LSAV (Wembley) GP2 Limited (08636051) (50.0%)**	USAF GP No 8 Limited (06381914) (20.2%)
LSAV (Wembley) Limited Partnership (50.0%)**	USAF GP No 10 Limited (06714734) (20.2%)
LSAV (Wembley) Management Limited Partnership (50.0%)**	USAF GP No 11 Limited (07075210) (20.2%)
UNITE Capital Cities Holdings Limited (08801242) (50.0%)	USAF GP No 12 Limited (07368735) (20.2%)
Unite Capital Cities Limited Partnership (50.0%)	USAF GP No 14 Limited (09089977) (20.2%)
Unite Capital Cities Two Limited Partnership (50.0%)	USAF GP No 15 Limited (09585201) (20.2%)
USAF Management 16 Limited (07735741) (28.1%)**	USAF GP No.15A Limited (12644211) (28.1%)
USAF Management 17 Limited (05591986) (28.1%)**	USAF GP No.16A Limited (12644210) (28.1%)
USAF Management No. 14 Limited Partnership (28.1%)	USAF GP No.17A Limited (12644208) (28.1%)
USAF Management No. 15 Limited Partnership (28.1%)	USAF GP No 18 Limited (10219336) (20.2%)
USAF Management No. 16 Limited Partnership (28.1%)	USAF Holdings B Limited (06324325) (20.2%)
USAF Management No. 17 Limited Partnership (28.1%)	USAF Holdings C Limited (06381882) (20.2%)
USAF No.1 Limited Partnership (28.1%)	USAF Holdings H Limited (09089805) (20.2%)
USAF No.6 Limited Partnership (28.1%)	USAF Holdings I Limited (09581882) (20.2%)
USAF No.8 Limited Partnership (28.1%)	USAF Holdings J Limited (10215997) (20.2%)
USAF No.10 Limited Partnership (28.1%)	USAF Holdings Limited (05870107) (20.2%)
USAF No.11 Limited Partnership (28.1%)	USAF Nominee No.1 Limited (05855598) (20.2%)
USAF No.12 Limited Partnership (28.1%)	USAF Nominee No.1A Limited (05835512) (20.2%)
USAF No.14 Limited Partnership (28.1%)	USAF Nominee No.6 Limited (05855599) (20.2%)
USAF No.15 Limited Partnership (28.1%)	USAF Nominee No.6A Limited (05885802) (20.2%)
USAF No.15A Limited Partnership (28.1%)	USAF Nominee No.8 Limited (06381861) (20.2%)

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Registered office and principal place of business: South Quay House, Temple Back, Bristol, United Kingdom, BS1 6FL	
USAF No.16A Limited Partnership (28.1%)	USAF Nominee No.17 Limited (12644192) (20.2%)
USAF No.17A Limited Partnership (28.1%)	USAF Nominee No.17A Limited (12644187) (20.2%)
USAF No.18 Limited Partnership (28.1%)	USAF Nominee No.18 Limited (10218595) (20.2%)
USAF No.11 Management Limited Partnership (28.1%)	USAF Nominee No.18A Limited (10219339) (20.2%)
Filbert Village Student Accommodation Limited Partnership (28.1%)	USAF RCC Limited (05983554) (20.2%)
LDC (Nairn Street) Limited Partnership (28.1%)	LSAV (No.1) Limited Partnership (50.0%)**
LDC (Nairn Street) Management Limited Partnership (28.1%)	LSAV (No.1) GP1 Limited (013184531) (50.0%)**
Filbert Village GP Limited (06016554) (20.2%)	LSAV (No.1) Nominee 1 Limited (013184589) (50.0%)**
LDC (Nairn Street) GP1 Limited (07580262) (20.2%)	LSAV (No.1) Management Limited Partnership (50.0%)**
LDC (Nairn Street) GP2 Limited (07580257) (20.2%)	LSAV (No.1) GP3 Limited (013184662)**
USAF Finance II Limited (08526474) (20.2%)	LSAV (No.1) Nominee 3 Limited (013184656)**
USAF GP No 1 Limited (05897875) (20.2%)	LSAV (Arch View) Limited Partnership (50.0%)**
USAF Nominee No.8A Limited (06381869) (20.2%)	LSAV (Arch View) GP1 Limited (013210709) (50.0%)**
USAF Nominee No.10 Limited (06714690) (20.2%)	LSAV (Arch View) Nominee 1 Limited (013210518) (50.0%)**
USAF Nominee No.10A Limited (06714615) (20.2%)	LSAV (Arch View) Management Limited Partnership (50.0%)**
USAF Nominee No.11 Limited (07075251) (20.2%)	LSAV (Arch View) GP3 Limited (013210526)**
USAF Nominee No.11A Limited(07075213) (20.2%)	LSAV (Arch View) Nominee 3 Limited (013210553)**
USAF Nominee No.12 Limited (07368733) (20.2%)	LSAV (Drapery Plaza) Limited Partnership (50.0%)**
USAF Nominee No.12A Limited (07368755) (20.2%)	LSAV (Drapery Plaza) GP1 Limited (013209904) (50.0%)**
USAF Nominee No.14 Limited (09231609) (20.2%)	LSAV (Drapery Plaza) Nominee 1 Limited (013209904) (50.0%)**
USAF Nominee No.14A Limited (09231604) (20.2%)	LSAV (Drapery Plaza) Management Limited Partnership (50.0%)**
USAF Nominee No.15 Limited (12644205) (20.2%)	LSAV (Drapery Plaza) GP3 Limited (013210206)**
USAF Nominee No.15A Limited (12644204) (20.2%)	LSAV (Drapery Plaza) Nominee 3 Limited (013209979)**
USAF Nominee No.16 Limited (12644201) (20.2%)	LSAV Management Holdings Limited (013305327)**
USAF Nominee No.16A Limited (12644197) (20.2%)	USAF Management GP No.18 Limited
LDC (180 Stratford) Limited**	LSAV Facility 1 Holdings Limited (50.0%)**
LSAV Facility 1 Management Holdings Limited**	Unite Capital Cities 3 GP1 Limited (50.0%)**
Unite Capital Cities 3 Limited Partnership (50.0%)**	Unite Capital Cities 3 Management Limited (50.0%)**
Unite Capital Cities 3 Nominee 1 Limited (50.0%)**	

* Held directly by the Company.

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NOTES TO THE FINANCIAL STATEMENTS continued

Section 9: Company subsidiaries and joint ventures continued

Registered office and principal place of business: 13 Castle Street, St Helier, Jersey, JE4 5UT

LDC (Gt Suffolk St) Unit Trust	LSAV (Aston Student Village) Unit Trust (50.0%)
LDC (St Pancras Way) Unit Trust	LSAV (Holdings) Limited (50.0%)
LDC (Thurso Street) Unit Trust	LSAV (Trustee) Limited (50.0%)
LSAV (Jersey Manager) Limited	LSAV Unit Trust (50.0%)
Unite (Capital Cities) Jersey Limited	Unite Capital Cities Unit Trust (50.0%)
USAF Jersey Investments Limited	USAF Portfolio 18 Unit Trust (28.1%)
USAF Jersey Manager Limited	LDC (Nairn Street) Unit Trust (28.1%)
LDC (Ferry Lane 2) Unit Trust (50.0%)	Unite UK Student Accommodation Fund (20.2%)
LDC (Stratford) Unit Trust (50.0%)	LSAV (Arch View) Unit Trust (50.0%)
LSAV (Drapery Plaza) Unit Trust (50.0%)	

Registered office and principal place of business: Third Floor, La Plaiderie Chambers, St Peter Port, Guernsey, GY1 1WG

USAF Feeder Guernsey Limited (45.5%)	USAF Portfolio 16 Unit Trust (28.1%)
USAF Portfolio 15 Unit Trust (28.1%)	USAF Portfolio 17 Unit Trust (28.1%)

Registered office and principal place of business: Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2 EN

LSAV (GP) Limited (SC431844) (50.0%)	LSAV (Property Holdings) Limited Partnership (50.0%)

Registered office and principal place of business: Trident Chambers, Wickhams Cay, P.O. Box 146, Road Town, Tortola, British Virgin Islands

Liberty Park (Bedford) Limited	Liberty Plaza (Newcastle) Limited

Registered office and principal place of business: Third Floor, Barclays House, Victoria Street, Douglas, Isle of Man, IM1 2LE

Filbert Street Student Accommodation Unit Trust (28.1%)

Registered office and principal place of business: Room 507, Floor 5, Block 1, Building No. 10, Jintong Road West, Chaoyang District, Beijing, People's Republic of China

Unite Students Accommodation (Beijing) Business Service Company Limited